

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2004

Commission File Number 33-83618

SELKIRK COGEN PARTNERS, L.P.

(Exact name of Registrant (Guarantor) as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0324332
(IRS Employer
Identification No.)

SELKIRK COGEN FUNDING CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0354675
(IRS Employer
Identification No.)

7600 Wisconsin Avenue, Bethesda, Maryland 20814
(Address of principal executive offices, including zip code)

(301) 280-6800
(Registrants' telephone number, including area code)

Indicate by check mark whether the Registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrants are accelerated filers (as defined in Exchange Act Rule 12b-2). Yes ☐ No ☒

As of November 10, 2004, there were 10 shares of common stock of Selkirk Cogen Funding Corporation, \$1 par value, outstanding.

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SELKIRK COGEN PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

	September 30, 2004	December 31, 2003
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,169	\$ 3,216
Restricted funds	30,783	10,652
Accounts receivable	21,140	22,449
Due from affiliates	—	58
Inventory	8,764	9,460
Other current assets	946	1,095
	<u>63,802</u>	<u>46,930</u>
PLANT AND EQUIPMENT:		
Plant and equipment, at cost	377,617	375,794
Less: Accumulated depreciation	134,000	124,495
	<u>243,617</u>	<u>251,299</u>
OTHER LONG-TERM ASSETS:		
Long-Term restricted funds	32,766	30,895
Deferred financing charges, net of accumulated amortization of \$11,755 and \$11,014, respectively	4,536	5,277
	<u>\$344,721</u>	<u>\$334,401</u>
LIABILITIES AND PARTNERS' DEFICITS		
CURRENT LIABILITIES:		
Accounts payable	\$ 434	\$ 2,114
Accrued bond interest payable	7,475	327
Accrued fuel expenses	11,532	11,542
Accrued property taxes	3,644	1,750
Accrued operating and maintenance expenses	1,360	4,793
Other accrued expenses	2,517	2,394
Due to affiliates	745	977
Liability for derivative contracts	40	498
Current portion of deferred revenue	707	707
Current portion of long-term bonds	22,349	19,587
	<u>50,803</u>	<u>44,689</u>
LONG-TERM LIABILITIES:		
Other long-term liabilities	6,544	6,200
Deferred revenue, net of current portion	1,945	2,476
Long-term bonds, net of current portion	299,935	312,283
	<u>359,227</u>	<u>365,648</u>
COMMITMENTS AND CONTINGENCIES		
PARTNERS' DEFICITS:		
General partners' deficits	(1,819)	(316)
Limited partners' deficits	(12,647)	(30,433)
Accumulated other comprehensive loss	(40)	(498)
	<u>(14,506)</u>	<u>(31,247)</u>
TOTAL LIABILITIES AND PARTNERS' DEFICITS	<u>\$344,721</u>	<u>\$334,401</u>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these financial statements.

SELKIRK COGEN PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
OPERATING REVENUES:				
Electric and steam	\$65,770	\$62,266	\$190,030	\$184,875
Fuel	1,353	2,310	15,263	13,884
	<u>67,123</u>	<u>64,576</u>	<u>205,293</u>	<u>198,759</u>
COST OF REVENUES:				
Fuel and transmission	36,473	35,579	112,592	112,286
Other operating and maintenance	3,695	3,430	13,775	12,177
Depreciation	3,196	3,148	9,521	9,427
	<u>43,364</u>	<u>42,157</u>	<u>135,888</u>	<u>133,890</u>
GROSS PROFIT	<u>23,759</u>	<u>22,419</u>	<u>69,405</u>	<u>64,869</u>
OTHER OPERATING EXPENSES:				
Administrative services, affiliates	323	309	1,077	1,122
Other general and administrative	620	913	1,980	2,227
	<u>943</u>	<u>1,222</u>	<u>3,057</u>	<u>3,349</u>
OPERATING INCOME	<u>22,816</u>	<u>21,197</u>	<u>66,348</u>	<u>61,520</u>
INTEREST (INCOME) EXPENSE:				
Interest income	(168)	(123)	(446)	(455)
Interest expense	7,399	7,812	22,616	23,806
	<u>7,231</u>	<u>7,689</u>	<u>22,170</u>	<u>23,351</u>
INCOME BEFORE CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	<u>\$15,585</u>	<u>\$13,508</u>	<u>\$ 44,178</u>	<u>\$ 38,169</u>
CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE	<u>—</u>	<u>—</u>	<u>—</u>	<u>(53)</u>
NET INCOME	<u>\$15,585</u>	<u>\$13,508</u>	<u>\$ 44,178</u>	<u>\$ 38,116</u>
NET INCOME ALLOCATION:				
General partners	\$ 156	\$ 136	\$ 443	\$ 382
Limited partners	15,429	13,372	43,735	37,734
	<u>TOTAL</u>	<u>TOTAL</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>\$15,585</u>	<u>\$13,508</u>	<u>\$ 44,178</u>	<u>\$ 38,116</u>

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

SELKIRK COGEN PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2004	September 30, 2003	September 30, 2004	September 30, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$ 15,585	\$ 13,508	\$ 44,178	\$ 38,116
Adjustments to reconcile net income to net cash provided by operating activities:				
Cumulative effect of a change in accounting principle	—	—	—	53
Depreciation, amortization and accretion	3,439	3,405	10,266	10,210
Deferred revenue	(177)	(177)	(531)	(531)
Loss on disposal of plant and equipment	—	—	33	—
Increase (decrease) in cash resulting from a change in:				
Accounts receivable	1,578	(1,184)	1,309	(2,277)
Due from affiliates	5	—	58	1,757
Inventory	(201)	(115)	696	398
Other current assets	308	354	149	(816)
Accounts payable	(115)	(429)	(1,680)	118
Accrued bond interest payable	7,157	7,556	7,148	7,548
Accrued fuel expenses	(1,037)	(1,099)	(10)	470
Accrued property taxes	44	42	1,894	142
Accrued operating and maintenance expenses	(169)	(207)	(3,433)	(192)
Other accrued expenses	338	336	123	(545)
Due to affiliates	(82)	687	(232)	285
Other long-term liabilities	730	730	340	440
Net cash provided by operating activities	27,403	23,407	60,308	55,176
CASH FLOWS FROM INVESTING ACTIVITIES:				
Restricted funds	(26,460)	(26,216)	(22,002)	(26,615)
Plant and equipment additions	(257)	(128)	(1,872)	(618)
Net cash used in investing activities	(26,717)	(26,344)	(23,874)	(27,233)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Distributions to partners	(966)	(2,136)	(27,895)	(20,711)
Repayment of long-term debt	—	—	(9,586)	(8,498)
Net cash used in financing activities	(966)	(2,136)	(37,481)	(29,209)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(280)	(5,073)	(1,047)	(1,266)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,449	6,523	3,216	2,716
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,169	\$ 1,450	\$ 2,169	\$ 1,450
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	\$ —	\$ —	\$ 14,728	\$ 15,479

The accompanying Notes to the Consolidated Financial Statements are an integral part of these statements.

SELKIRK COGEN PARTNERS, L.P.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements include Selkirk Cogen Partners, L.P. and its wholly-owned subsidiary, Selkirk Cogen Funding Corporation (collectively the “Partnership”). All significant intercompany accounts and transactions have been eliminated.

The consolidated financial statements for the interim periods presented are unaudited and have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to rules and regulations applicable to interim financial statements. The information furnished in the consolidated financial statements reflects all normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of such financial statements. Certain reclassifications have been made to the consolidated statement of operations for the nine months ended September 30, 2004 to conform to the basis of presentation for the three months ended September 30, 2004. Certain reclassifications have been made to the consolidated statements of cash flows for the three and nine months ended September 30, 2003 to conform to the current period’s basis of presentation. Operating results for the three and nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in the Partnership’s December 31, 2003 Annual Report on Form 10-K.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingencies. Actual results could differ from these estimates.

Comprehensive Income

The Partnership’s comprehensive income consists principally of net income and changes in the market value of certain financial hedges under Statement of Financial Accounting Standards (“SFAS”) No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (“SFAS No. 133”).

The schedule below summarizes the activities affecting comprehensive income for the three and nine months ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Net income	\$15,585	\$13,508	\$44,178	\$38,116
Net unrealized gain (loss) from current period hedging transactions in accordance with SFAS No. 133	339	(56)	(5)	2,932
Net reclassification to earnings	31	231	463	962
Comprehensive income	\$15,955	\$13,683	\$44,636	\$42,010

Note 2. Significant Accounting Policies

Except as disclosed, the Partnership is following the same accounting principles discussed in the Partnership’s December 31, 2003 Annual Report on Form 10-K.

Adoption of New Accounting Pronouncements

In May 2003, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 150, *Accounting for Certain Financial Instruments with the Characteristics of Both Liabilities and Equity* (“SFAS No. 150”). SFAS No. 150 addresses concerns of how to measure and classify in the statement of financial position certain financial instruments that have characteristics of both liabilities and equity. This statement was adopted on January 1, 2004 and did not have an impact on the Partnership’s consolidated financial statements.

On January 1, 2003, the Partnership adopted SFAS No. 143, *Accounting for Asset Retirement Obligations* (“SFAS No. 143”). SFAS No. 143 provides accounting requirements for costs associated with legal obligations to retire tangible, long-lived assets. The statement requires that an asset retirement obligation be recorded at fair value in the period in which it is incurred, if a reasonable estimate of fair value can be made. In the same period, the associated asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset. In each subsequent period, the liability is accreted to its present value and the capitalized cost is depreciated over the useful life of the long-lived asset.

Upon implementation of this statement, the Partnership recorded approximately \$45,000 to its plant and equipment to reflect the fair value of the asset retirement costs as of the date the obligation was incurred, and recognized approximately \$83,000 for asset retirement obligations. The cumulative effect of the change in accounting principle as a result of adopting this statement was a loss of approximately \$53,000.

Note 3. Related Party Transactions

JMCS I Management, Inc., the Partnership’s project management firm and affiliate of JMC Selkirk Inc., the Partnership’s managing general partner, manages the day-to-day operation of the Partnership and is compensated at agreed-upon billing rates that are adjusted quadrennially in accordance with an administrative services agreement. The cost of services provided by JMCS I Management, Inc. are included in administrative services – affiliates in the accompanying consolidated statements of operations. The total amount due to JMCS I Management, Inc. at September 30, 2004, was approximately \$225,000.

The Partnership purchases from and sells gas to affiliates of JMC Selkirk, Inc. As of May 31, 2003, the Partnership ceased transactions with NEGT Energy Trading–Gas Corporation (“NEGT Energy Trading–Gas”). Gas purchases from affiliates are recorded as fuel costs and sales of gas to affiliates are recorded as fuel revenues in the accompanying consolidated statements of operations. There were no amounts due to/from affiliates for purchases or sales of gas at September 30, 2004.

Gas purchased from affiliates is as follows (dollars in thousands):

	Nine months ended September 30,	
	2004	2003
NEGT Energy Trading–Gas	\$ —	\$4,901
MASSPOWER	112	1,520
Pittsfield Generating Company, L.P.	—	39

Gas sold to affiliates is as follows (dollars in thousands):

	Nine months ended September 30,	
	2004	2003
NEGT Energy Trading–Gas	\$—	\$9,117
MASSPOWER	—	16

The Partnership has two agreements with Iroquois Gas Transmission System (“IGTS”), an indirect affiliate of JMC Selkirk, Inc., to provide firm transportation of natural gas from Canada. Firm fuel transportation services for the nine months ended September 30, 2004 totaled approximately \$5,132,000, compared to approximately \$5,275,000 for the same period in the prior year. These services are recorded as fuel costs in the accompanying consolidated statements of operations. The total amount due to IGTS for firm transportation at September 30, 2004, was approximately \$520,000.

Note 4. Accounting For Derivative Contracts

Currency Exchange Contracts

The Partnership has a foreign currency exchange contract to hedge against fluctuations in fuel transportation costs, which are denominated in Canadian dollars. Under the currency exchange agreement, which commenced on May 25, 1995 and terminates on December 25, 2004, the Partnership exchanges approximately \$1,044,000 U.S. dollars for \$1,300,000 Canadian dollars on a monthly basis. The Partnership accounts for its foreign exchange contract as a cash flow hedge and records on the consolidated balance sheets a liability for derivative contracts with the offset in other comprehensive income (loss).

The schedule below summarizes the activities affecting accumulated other comprehensive loss from derivative contracts for the three and nine months ended September 30, 2004 and 2003 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Beginning accumulated other comprehensive loss at July 1 and January 1, respectively	\$(410)	\$(1,406)	\$(498)	\$(5,125)
Net change of current period hedging transactions gain (loss)	339	(56)	(5)	2,932
Net reclassification to earnings	31	231	463	962
Ending accumulated other comprehensive loss	\$ (40)	\$(1,231)	\$ (40)	\$(1,231)

The Partnership expects that net derivative losses of approximately \$40,000, included in accumulated other comprehensive loss as of September 30, 2004, will be reclassified into earnings within the next twelve months.

Note 5. Relationship with National Energy & Gas Transmission, Inc. (“NEGT”)

NEGT owns an indirect interest in the Partnership and its wholly owned subsidiary, Selkirk Cogen Funding Corporation. NEGТ manages the Partnership through its indirect, wholly owned subsidiaries, JMC Selkirk, Inc., the Partnership’s managing general partner, and JMCS I Management, Inc., the Partnership’s project management firm. Prior to October 29, 2004, NEGТ was an indirect subsidiary of PG&E Corporation.

On July 8, 2003, NEGТ and certain subsidiaries voluntarily filed petitions for relief under the provisions of Chapter 11 of the U.S. Bankruptcy Code (collectively, the “NEGT Bankruptcy”) in the Greenbelt Division of the United States Bankruptcy Court for the District of Maryland (the “Bankruptcy Court”). The subsidiaries that voluntarily

filed petitions and were disclosed in previous reports as related parties of the Partnership with which it engaged in transactions are: NEGT Energy Trading-Power, L.P. and NEGT Energy Trading–Gas. There were no amounts due to or from these subsidiaries at September 30, 2004.

None of the Partnership or its NEGT affiliated partners (JMC Selkirk, Inc. and PentaGen Investors, L.P.) were parties to the NEGT Bankruptcy. The NEGT Bankruptcy did not have a material adverse impact on the Partnership’s operations.

On February 26, 2004, NEGT filed with the Bankruptcy Court its Third Amended Plan of Reorganization and the related Disclosure Statement. A Modified Third Amended Plan of Reorganization (the “POR”) was confirmed by order of the Bankruptcy Court on May 3, 2004. The POR contemplated that NEGT would retain and continue to operate its power generation and pipeline businesses unless they were sold. On October 29, 2004, the POR became effective and NEGT emerged from bankruptcy. Pursuant to the POR, NEGT completed its separation from PG&E Corporation and will issue new debt securities and common stock to its creditors.

NEGT announced on September 15, 2004, that it had entered into a definitive purchase agreement with GS Power Holdings II LLC, a wholly owned subsidiary of The Goldman Sachs Group, Inc. (the “GS Power Agreement”), to acquire NEGT’s equity interests in 12 power plants and a natural gas pipeline, including NEGT’s indirect ownership interests in the Partnership. The GS Power Agreement resulted from a multi-round bankruptcy court-sanctioned auction bidding process in which GS Power Holdings II LLC was the winning bidder. As a result, the purchase agreement between NEGT and Denali Power, LLC previously disclosed in a Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 will ultimately be terminated prior to the consummation of the sale under the GS Power Agreement. On September 23, 2004, the Bankruptcy Court issued an order approving the GS Power Agreement. NEGT expects the transaction, which is subject to certain regulatory and third party approvals, to close in the first quarter of 2005. The Goldman Sachs Group, Inc., through its ownership of Cogentrix Energy, Inc. already owns indirect beneficial interests in the Partnership through the general partner interest of JMC Selkirk, Inc. and limited partner interests of JMC Selkirk, Inc. and PentaGen Investors, L.P.

NEGT’s indirect ownership interest in the general partner interest of JMC Selkirk, Inc. and the limited partner interests of JMC Selkirk, Inc. and PentaGen Investors, L.P. in the Partnership are included within the sale as contemplated by the GS Power Agreement (the “GS Power Sale”). NEGT’s indirect ownership interest in JMCS I Management, Inc. is also included in the GS Power Sale. As presently contemplated, the GS Power Sale, if consummated, is not expected to alter the ability of JMC Selkirk, Inc. or JMCS I Management, Inc. to manage the Partnership.

On September 17, 2004, Moody’s Investors Service (“Moody’s”) issued a credit opinion confirming Selkirk Cogen Funding Corporation’s senior secured debt rating at Baa3 with a stable rating outlook. In this credit opinion, Moody’s stated that the rating considers the September 15, 2004 announcement by NEGT concerning the GS Power Agreement, which includes NEGT’s indirect ownership in the Partnership.

On September 24, 2004 Standard and Poor’s (“S&P”) issued a bulletin stating it does not expect the recent announcement by NEGT concerning the GS Power Agreement to affect the rating on the senior secured debt of Selkirk Cogen Funding Corporation. That rating is currently BBB- with a stable rating outlook. S&P also stated that it was analyzing the possible effects of the proposed ownership change on the Partnership.

Note 6. Title V Permit

On November 6, 2001, the Partnership received from the New York State Department of Environmental Conservation (“DEC”) the Facility’s Title V operating permit endorsed by the DEC on November 2, 2001 (the “Title V Permit”). The Title V Permit as received by the Partnership contains conditions that conflict with the Partnership’s existing air permits, and the Facility’s compliance with these conditions under certain operating circumstances would be problematic. Further, the Partnership believes that certain of the conditions contained in the Title V Permit are inconsistent with the laws and regulations underlying the Title V program and Title V operating permits issued by the DEC to comparable electric generating facilities in New York. By letter dated November 12, 2001, the Partnership has filed with the DEC a request for an adjudicatory hearing to address and resolve the issues presented by the Title V Permit, and the terms and conditions of the Title V Permit will be stayed pending a final DEC decision on the appeal. At this time, the Partnership cannot assess whether a settlement can be achieved, the likely outcome of the adjudicatory hearing if no settlement is achieved, or the impact on the Facility.

Note 7. Subsequent Event

On November 12, 2004, the Partnership entered into a new agreement (the “Additional Agreement”) with Canadian Forest Oil Ltd. (formerly Producers Marketing Ltd.), one of its fuel suppliers, to replace the volumes of natural gas currently being provided by such supplier under its existing firm natural gas supply agreement when the agreement expires on October 31, 2009 (the “Expiration Date”). The initial term of the Additional Agreement commences on November 1, 2004 and ends on the Expiration Date, and the subsequent term extends from November 1, 2009 through October 31, 2014. The Additional Agreement does not include a minimum contract volume purchase obligation and effectively eliminates the Partnership’s minimum contract volume purchase obligation under the existing firm natural gas supply agreement; provides for additional volumes of gas supply to be available for purchase at the option of the Partnership; and includes additional pricing provisions for all quantities of gas purchased from the fuel supplier. The Partnership is currently evaluating the accounting treatment for this agreement.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management’s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the consolidated financial statements and notes to the accompanying consolidated financial statements of Selkirk Cogen Partners, L.P. (the “Partnership”) included herein. Further, this Quarterly Report on Form 10-Q should be read in conjunction with the Partnership’s December 31, 2003 Annual Report on Form 10-K.

Cautionary Statement Regarding Forward-Looking Statements

The information in this Quarterly Report on Form 10-Q includes forward-looking statements about the future that are necessarily subject to various risks and uncertainties. Use of words like “anticipate,” “estimate,” “intend,” “project,” “plan,” “expect,” “will,” “believe,” “could,” and similar expressions help identify forward-looking statements and constitute forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and assumptions, which the Partnership believes are reasonable and on information currently available to the Partnership. Actual results could differ materially from those contemplated by the forward-looking statements. Although the Partnership believes that the expectations reflected in the forward-looking statements are reasonable, future results, events, levels of activity, performance or achievements cannot be guaranteed. Although the Partnership is not able to predict all the factors that may affect future results, some of the factors that could cause future results to differ materially from those expressed or implied by the forward-looking statements or historical results include:

Operational Risks

The Partnership’s future results of operations and financial condition may be affected by the performance of equipment; levels of dispatch; the receipt of certain capacity and other fixed payments; electricity prices; natural gas resale prices; fuel deliveries and prices; unanticipated changes in operating expenses or capital expenditures or other maintenance activities; variations in weather and natural disasters; and the potential impacts of threatened or actual terrorism and war.

Accounting and Risk Management

The Partnership’s future results of operations and financial condition may be affected by the effect of new accounting pronouncements; changes in critical accounting policies or estimates; the effectiveness of the Partnership’s risk management policies and procedures; changes in the number of participants in the energy trading markets; the ability of the Partnership’s counterparties to satisfy their financial commitments to the Partnership and the impact of counterparties’ nonperformance on the Partnership’s liquidity position; and heightened rating agency criteria and the impact of changes in the Partnership’s credit ratings.

Legislative and Regulatory Matters

The Partnership’s business may be affected by legislative or regulatory changes affecting the electric and natural gas industries in the United States, including the pace and extent of efforts to restructure the electric and natural gas industries; heightened regulatory and enforcement agency focus on the energy business with the potential for changes in industry regulations and in the treatment of the Partnership by state and federal agencies; changes in or application of federal, state, and local laws and regulations to which the Partnership is subject including changes in corporate governance and securities laws requirements; and changes in or application of Canadian laws, regulations, and policies which may impact the Partnership.

Litigation and Environmental Matters

The Partnership’s future results of operations and financial condition may be affected by compliance with existing and future environmental and safety laws, regulations, and policies, the cost of which could be significant; the outcome of future litigation and environmental matters; and the outcome of the negotiations with the New York State Department of Environmental Conservation (“DEC”) regarding the Facility’s Title V operating permit as described in “Regulations and Environmental Matters” below.

Business Description

The Partnership owns a natural gas-fired, combined-cycle cogeneration facility consisting of two units designed to operate independently for electrical generation, but thermally integrated for steam generation. Revenues are derived primarily from sales of electricity and, to a lesser extent, from sales of steam and natural gas. The Partnership operates as a single business segment.

The Partnership has long-term contracts for the sale of electric capacity and energy produced by the Facility with Niagara Mohawk Power Corporation (“Niagara Mohawk”) and Con Edison Company of New York, Inc. (“Con Edison”). Under the Amended and Restated Niagara Mohawk Power Purchase Agreement, the Partnership has dispatch decision-making authority for Unit 1, whereby it has the ability and flexibility to operate the unit based on current market conditions. Under the Con Edison Power Purchase Agreement, Con Edison dispatches Unit 2 on an economic basis, whereby it takes into account the variable cost of electricity to be delivered by the unit compared to the variable cost of electricity available from other sources.

The Partnership directs the supply and transportation of natural gas to Unit 1 and Unit 2 under its long-term natural gas supply and transportation agreements so as to have sufficient quantities of natural gas available at the Facility to meet its scheduled operation. In addition, the Partnership may enter into short-term transactions to resell its long-term, firm natural gas volumes at favorable prices relative to their costs and relative to the cost of substitute fuels. These transactions include “gas resales”, “gas transportation optimizations” and “peak shaving arrangements”. Gas resales are sales of excess natural gas supplies when Unit 1 or Unit 2 is dispatched off-line or at less than full

capacity. Gas transportation optimizations are transactions whereby the Partnership is able to optimize the long-term gas transportation contracts and lower the cost of natural gas delivered to the Facility by purchasing and/or selling natural gas at favorable prices along the transportation route. Peak shaving arrangements are transactions whereby the Partnership grants to local distribution companies or other purchasers a call on a specified portion of the Partnership’s firm natural gas supply, including transportation, for a specified number of days during the winter season.

The Partnership determines when to schedule all or a portion of a unit off-line for planned maintenance activities based upon equipment manufacturer guidelines, the actual condition of the unit based on maintenance experience, operating experience, and operating schedule. Taking into account these factors, coupled with current capacity factors, recent operating experience, and industry practice, planned major maintenance outages may be expected to occur approximately every three years. The inherent differences in the duration and scope of major maintenance activities as compared to non-major maintenance activities can have a significant impact on revenues and the cost of revenues.

Executive Summary

During the third quarter of 2004, the Partnership generated net income of \$15.6 million and cash flows from operations of \$27.4 million. The increase in earnings of \$2.1 million and cash flows from operations of \$4.0 million compared to same period in the prior year was primarily due to higher electric revenues from sales of other energy-related products.

During the nine months ended September 30, 2004, the Partnership benefited from calls on the peak shaving arrangement during a period of price spikes in the winter natural gas market. The Partnership generated net income of \$44.2 million and cash flows from operations of \$60.3 million during the first nine months of 2004. The increase in earnings of \$6.1 million and cash flows from operations of \$5.1 million compared to same period in the prior year was primarily due to higher electric revenues from sales of other energy-related products and higher fuel revenues under the peak shaving arrangement.

Average electric energy market prices were lower during the third quarter of 2004 as compared to the same period in the prior year. The average price of electricity under the Partnership’s power purchase agreements, average natural gas resale prices and the average price of natural gas under the Partnership’s firm gas supply agreements were higher during the third quarter of 2004 as compared to the same period in the prior year. The Partnership cannot predict whether these trends will continue for the remainder of 2004.

During the beginning of the fourth quarter of 2004, the Partnership performed a three-week planned major maintenance outage on a portion of Unit 2, as compared to the performance of a one-week planned non-major maintenance outage on a portion of Unit 2 during the fourth quarter of 2003. The Partnership does not expect the lower volumes of electric energy available for delivery and higher volumes of natural gas available for resale resulting from the longer outage duration to negatively impact operating revenues

during the fourth quarter of 2004. At the same time, due to the expanded scope of the planned maintenance outage the Partnership expects maintenance expenses to be higher in the fourth quarter of 2004, as compared to the same period in the prior year. However, the Partnership does not expect the cost of planned major maintenance during the fourth quarter of 2004 to have a significant impact on cash flows used in operations, as the majority of these expenditures will be funded from the Major Maintenance Reserve Fund established under the Partnership’s financing documents.

The Partnership has been engaged in discussions with certain of its fuel suppliers regarding the extension or replacement of the related firm natural gas supply agreements in order to meet the Gas Contract Extension Conditions (defined herein) under the Partnership’s financing documents so as to prevent the requirement of deposits into the Gas Contract Extension Fund (defined herein), and thus prevent the resulting restriction on the Partnership’s ability to make distributions to its partners after December 26, 2004. In connection with these discussions, on November 12, 2004, the Partnership entered into a new agreement with one of its fuel suppliers. See Part II, Item 5., Other Information, for a description of the Partnership’s actions with respect to the extension or replacement of its firm natural gas supply agreements.

Relationship with National Energy & Gas Transmission, Inc. (“NEGT”)

NEGT owns an indirect interest in the Partnership and its wholly owned subsidiary, Selkirk Cogen Funding Corporation. NEGТ manages the Partnership through its indirect, wholly owned subsidiaries, JMC Selkirk, Inc., the Partnership’s managing general partner, and JMCS I Management, Inc., the Partnership’s project management firm. Prior to October 29, 2004, NEGТ was an indirect subsidiary of PG&E Corporation.

On July 8, 2003, NEGТ and certain subsidiaries voluntarily filed petitions for relief under the provisions of Chapter 11 of the U.S. Bankruptcy Code (collectively, the “NEGТ Bankruptcy”) in the Greenbelt Division of the United States Bankruptcy Court for the District of Maryland (the “Bankruptcy Court”). The subsidiaries that voluntarily filed petitions and were disclosed in previous reports as related parties of the Partnership with which it engaged in transactions are: NEGТ Energy Trading-Power, L.P. and NEGТ Energy Trading–Gas Corporation. There were no amounts due to or from these subsidiaries at September 30, 2004.

None of the Partnership or its NEGТ affiliated partners (JMC Selkirk, Inc. and PentaGen Investors, L.P.) were parties to the NEGТ Bankruptcy. The NEGТ Bankruptcy did not have a material adverse impact on the Partnership’s operations.

On February 26, 2004, NEGТ filed with the Bankruptcy Court its Third Amended Plan of Reorganization and the related Disclosure Statement. A Modified Third Amended Plan of Reorganization (the “POR”) was confirmed by order of the Bankruptcy Court on May 3, 2004. The POR contemplated that NEGТ would retain and continue to operate its power generation and pipeline businesses unless they were sold. On October 29, 2004, the POR became effective and NEGТ emerged from bankruptcy. Pursuant to the POR, NEGТ completed its separation from PG&E Corporation and will issue new debt securities and common stock to its creditors.

NEGT announced on September 15, 2004, that it had entered into a definitive purchase agreement with GS Power Holdings II LLC, a wholly owned subsidiary of The Goldman Sachs Group, Inc. (the “GS Power Agreement”), to acquire NEG’s equity interests in 12 power plants and a natural gas pipeline, including NEG’s indirect ownership interests in the Partnership. The GS Power Agreement resulted from a multi-round bankruptcy court-sanctioned auction bidding process in which GS Power Holdings II LLC was the winning bidder. As a result, the purchase agreement between NEG and Denali Power, LLC previously disclosed in a Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 will ultimately be terminated prior to the consummation of the sale under the GS Power Agreement. On September 23, 2004, the Bankruptcy Court issued an order approving the GS Power Agreement. NEG expects the transaction, which is subject to certain regulatory and third party approvals, to close in the first quarter of 2005. The Goldman Sachs Group, Inc., through its ownership of Cogentrix Energy, Inc. already owns indirect beneficial interests in the Partnership through the general partner interest of JMC Selkirk, Inc. and limited partner interests of JMC Selkirk, Inc. and PentaGen Investors, L.P.

NEG’s indirect ownership interest in the general partner interest of JMC Selkirk, Inc. and the limited partner interests of JMC Selkirk, Inc. and PentaGen Investors, L.P. in the Partnership are included within the sale as contemplated by the GS Power Agreement (the “GS Power Sale”). NEG’s indirect ownership interest in JMCS I Management, Inc. is also included in the GS Power Sale. As presently contemplated, the GS Power Sale, if consummated, is not expected to alter the ability of JMC Selkirk, Inc. or JMCS I Management, Inc. to manage the Partnership.

Results of Operations

The following tables sets forth operating revenue and related data for the three and nine months ended September 30, 2004 and 2003 (dollars and volumes in millions).

	Three Months Ended September 30,			
	2004		2003	
	Volume	Dollars	Volume	Dollars
<u>Dispatch factor⁽¹⁾:</u>				
Unit 1	90.5%		96.2%	
Unit 2	100.0%		98.2%	
<u>Capacity factor⁽²⁾:</u>				
Unit 1	80.2%		82.3%	
Unit 2	97.3%		97.1%	
<u>Electric and steam revenues:</u>				
Unit 1 (Kwh)	141.6	\$19.1	145.2	\$19.2
Unit 2 (Kwh)	569.5	47.1	568.0	43.1
Steam (lbs)	279.7	(0.5)	308.6	—
Total electric and steam revenues		65.7		62.3
<u>Fuel revenues:</u>				
Gas resales (mmbtu)	0.2	1.2	0.2	0.8
Gas transportation optimizations (mmbtu)	—	0.2	0.3	1.5
Peak shaving arrangements (mmbtu)	—	—	—	—
Total fuel revenues		1.4		2.3
Total operating revenues		\$67.1		\$64.6
	Nine Months Ended September 30,			
	2004		2003	
	Volume	Dollars	Volume	Dollars
<u>Dispatch factor⁽¹⁾:</u>				
Unit 1	86.6%		96.9%	
Unit 2	97.9%		90.9%	
<u>Capacity facto⁽²⁾:</u>				
Unit 1	79.5%		89.5%	
Unit 2	93.3%		88.8%	
<u>Electric and steam revenues:</u>				
Unit 1 (Kwh)	417.7	\$ 54.2	468.9	\$ 56.4
Unit 2 (Kwh)	1,625.3	135.4	1,540.9	128.5
Steam (lbs)	1,085.2	0.4	996.7	—
Total electric and steam revenues		190.0		184.9
<u>Fuel revenues⁽³⁾:</u>				
Gas resales (mmbtu)	0.9	6.0	1.4	8.3
Gas transportation optimizations (mmbtu)	—	0.3	0.5	3.1
Peak shaving arrangements (mmbtu)	0.6	9.0	0.2	2.5
Total fuel revenues		15.3		13.9
Total operating revenues		\$205.3		\$198.8

- ⁽¹⁾ The “capacity factor” of Unit 1 and Unit 2 is the amount of energy produced by each Unit in a given time period expressed as a percentage of the total contract capability amount of potential energy production in that time period.
- ⁽²⁾ The “dispatch factor” of Unit 1 and Unit 2 is the number of hours scheduled for electric delivery (regardless of output level) in a given time period expressed as a percentage of the total number of hours in that time period.
- ⁽³⁾ Certain reclassifications have been made to fuel revenues for the nine months ended September 30, 2004 to conform to the basis of presentation for the three months ended September 30, 2004.

Three Months Ended September 30, 2004 Compared to the Three Months Ended September 30, 2003

Overall Results

Net income was \$15.6 million for the third quarter of 2004, an increase of \$2.1 million from the same period in the prior year. This increase was primarily due to higher electric revenues from sales of other energy-related products.

The following highlights the principal changes in operating revenues and operating expenses.

Operating Revenues

Operating revenues were \$67.1 million for the third quarter of 2004, an increase of \$2.5 million from the same period in the prior year. This increase was primarily due to higher electric revenues. Electric revenues increased by \$3.9 million in the third quarter of 2004 primarily due to escalation in the Con Edison contract capacity payment, higher fuel index pricing in the Con Edison contract price for delivered energy and sales of other energy-related products.

Cost of Revenues

The cost of revenues was \$43.4 million for the third quarter of 2004, an increase of \$1.2 million from the same period in the prior year. This increase was primarily due to higher fuel costs. Fuel costs increased by \$1.2 million in the third quarter of 2004 primarily due to the higher price of natural gas under the firm gas supply agreements.

Nine Months Ended September 30, 2004 Compared to the Nine Months Ended September 30, 2003

Overall Results

Net income was \$44.2 million for the nine months ended September 30, 2004, an increase of \$6.1 million from the same period in the prior year. This increase was primarily due to higher electric revenues from sales of other energy-related products and higher fuel revenues under the peak shaving arrangement.

The nine months ended September 30, 2003 included a net loss for the cumulative effect of a change in accounting principle of \$53 thousand. The cumulative effect was based on the Partnership’s adoption as of January 1, 2003, of Statement of Financial Accounting Standards (“SFAS”) No. 143, *Accounting for Asset Retirement Costs* (see Note 2 to the Notes to Consolidated Financial Statements).

Certain reclassifications have been made to fuel revenues and fuel costs in the consolidated statement of operations for the nine months ended September 30, 2004 to conform to the basis of presentation for three months ended September 30, 2004.

The following highlights the principal changes in operating revenues and operating expenses.

Operating Revenues

Operating revenues were \$205.3 million for the nine months ended September 30, 2004, an increase of \$6.5 million from the same period in the prior year. This increase was primarily due to higher electric and fuel revenues. Electric revenues increased by \$4.7 million primarily due to escalation in the Con Edison contract capacity payment and sales of other energy-related products. Fuel revenues increased by \$1.4 million primarily due to the higher volume and price of natural gas sold under the peak shaving arrangement, partially offset by lower gas transportation optimizations. Beginning in the second quarter of 2004, the net effect of certain gas transportation optimizations are recorded in cost of revenues due to a change in the terms and conditions of these transactions.

Cost of Revenues

The cost of revenues was \$135.9 million for the nine months ended September 30, 2004, an increase of \$2.0 million from the same period in the prior year. This increase was primarily due to higher maintenance costs. Maintenance costs increased by \$1.3 million primarily due to the expanded scope of planned maintenance on the Facility. During the second quarter of 2004, a planned major maintenance outage was performed on a portion of Unit 1, as compared to the performance of a planned non-major maintenance outage on a portion of Unit 2 during the same period in the prior year.

Liquidity and Capital Resources

Sources of Cash

Net cash provided by operating activities was \$27.4 million for the third quarter of 2004, an increase of \$4.0 million from the same period in the prior year. This increase is primarily due to higher net income resulting from higher electric revenues from sales of other energy-related products. Net cash provided by operating activities was \$60.3 million for the nine months ended September 30, 2004, an increase of \$5.1 million from the same period in the prior year. This increase is primarily due to higher net income resulting from higher electric revenues from sales of other energy-related products and higher fuel revenues under the peak shaving arrangement.

The Partnership believes, based on current conditions and circumstances, it will have sufficient cash flows from operations to fund existing debt obligations and operating costs during 2004.

Credit Agreement

The Partnership has available for its use a credit agreement, as amended (the “Credit Agreement”), with a maximum available credit (including both outstanding letters of credit and working capital loans) of \$10.0 million. Effective June 30, 2004, the Credit Agreement was amended to extend the expiration date from August 8, 2005 to June 30, 2007. Outstanding balances of working capital loans under the Credit Agreement bear interest at a base rate with principal and interest payable monthly in arrears. The base rate under the Credit Agreement is the greater of (i) a rate equal to the sum of the federal funds rate plus 0.50%, and (ii) the prime rate publicly announced by Citizens Bank of Massachusetts. The Credit Agreement is available to the Partnership for the purposes of meeting letter of credit requirements under various fuel-related contracts and for meeting working capital requirements. As of September 30, 2004, a letter of credit in the amount of approximately \$2.9 million has been issued and there were no amounts drawn under such letter of credit and no balances outstanding under the working capital arrangement.

Credit Ratings

On September 17, 2004, Moody’s Investors Service (“Moody’s”) issued a credit opinion confirming Selkirk Cogen Funding Corporation’s senior secured debt rating at Baa3 with a stable rating outlook. In this credit opinion, Moody’s stated that the rating considers the September 15, 2004 announcement by NEGТ concerning the GS Power Agreement, which includes NEGТ’s indirect ownership in the Partnership.

On September 24, 2004 Standard and Poor’s (“S&P”) issued a bulletin stating it does not expect the recent announcement by NEGТ concerning the GS Power Agreement to affect the rating on the senior secured debt of Selkirk Cogen Funding Corporation. That rating is currently BBB- with a stable rating outlook. S&P also stated that it was analyzing the possible effects of the proposed ownership change on the Partnership.

Uses of Cash

Net cash used in investing activities of \$26.7 million for the third quarter of 2004 was comparable to the same period in the prior year. Net cash used in investing activities was \$23.9 million for the nine months ended September 30, 2004, a decrease of \$3.3 million from the same period in the prior year. This decrease is primarily due to a payment from the Major Maintenance Reserve Fund for the purchase of spare parts.

Net cash used in financing activities was \$1.0 million for the third quarter of 2004, a decrease of \$1.1 million from the same period in the prior year. This decrease is primarily due to less cash becoming available for distribution to the Partners. Net cash used in financing activities was \$37.5 million for the nine months ended September 30, 2004, an increase of \$8.3 million from the same period in the prior year. This increase is primarily due to additional cash becoming available for distribution to the Partners and higher principal payments on long-term debt.

Gas Contract Extension Fund

Under the Partnership’s financing agreements, deposits will be required into a gas contract extension fund (“Gas Contract Extension Fund”) if the Partnership has not satisfied certain conditions with respect to the extension or replacement of the Partnership’s firm gas supply agreements by December 26, 2004 (the “Gas Contract Extension Conditions”). If the Gas Contract Extension Fund is required, after December 26, 2004, cash otherwise available for deposit into the Partnership Distribution Fund and subsequent distribution to the Partners will be deposited into the Gas Contract Extension Fund until the balance of the Gas Contract Extension Fund is sufficient to fund all of the scheduled principal payments on the Partnership’s bonds from June 26, 2010 through June 26, 2012. The Gas Contract Extension Fund will cease to be required if the Partnership satisfies the Gas Contract Extension Conditions at any time after December 26, 2004. See Part II, Item 5., Other Information, for a description of the Partnership’s actions with respect to the extension or replacement of its firm natural gas supply agreements.

Extraordinary Optional Redemption

The Partnership’s bonds are subject to extraordinary optional redemption by Selkirk Cogen Funding Corporation (“the Funding Corporation”), in whole, at a redemption price equal to 103.5% of the principal amount thereof plus accrued interest to the date of such redemption, if the Partnership, after using commercially reasonable efforts, has not satisfied the Gas Contract Extension Conditions by December 26, 2004 (“Extraordinary Optional Redemption”). Under such circumstances, the Funding Corporation will be entitled to make this optional redemption at any time during the one-year period from March 26, 2005 through March 25, 2006.

Significant Contractual Payment Obligations

Since December 31, 2003, the Partnership has not committed to any new significant contractual payment obligations of the types described under the caption “Liquidity and Capital Resources”, *Contractual Payment Obligations* contained in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, of the Partnership’s December 31, 2003 Annual Report on Form 10-K.

Accounting Matters

Critical Accounting Policies

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States involves the use of estimates and assumptions that affect the recorded amount of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain of these estimates and assumptions are considered to be Critical Accounting Policies, due to their complexity, subjectivity, and uncertainty, along with their relevance to the financial performance of the Partnership. Actual results may differ substantially from these estimates. There have been no changes to the Partnership’s critical accounting policies since December 31, 2003. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, of the Partnership’s December 31, 2003 Annual Report of Form 10-K for further discussion.

Accounting Principles Issued But Not Yet Adopted

In January 2003, the FASB issued Interpretation No. 46, *Consolidation of Variable Interest Entities* (“FIN 46”). FIN 46, as subsequently revised in December 2003 (“FIN 46R”), is an interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* (“ARB 51”), and supersedes EITF Issues No. 90-15 and 96-21, which prescribe accounting for lease arrangements with nonsubstantive lessors. This interpretation clarifies the application of ARB 51 to certain entities, defined as “variable interest entities” (“VIEs”), in which equity investors do not have a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support. FIN 46R requires that a VIE is to be consolidated by a company, if that company is subject to a majority of the risk of loss from the VIE’s activities or is entitled to receive a majority of the VIE’s residual returns, or both.

The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. There were no new variable interest entities created by the Partnership between February 1, 2003 and September 30, 2004. The Partnership is non-public entity as defined by the interpretation. As a non-public entity, the consolidation requirements related to entities or arrangements existing before February 1, 2003 are effective January 1, 2005. The Partnership has not identified any arrangements with potential VIEs. The Partnership will continue to evaluate its arrangements for potential FIN 46R application effective January 1, 2005. The Partnership does not expect that

implementation of this interpretation will have a significant impact on its consolidated financial statements.

Legal Matters

The Partnership is a party in various legal proceedings and may be subject to potential claims arising in the ordinary course of its business. Management does not believe that the resolution of these matters will have a material adverse effect on the Partnership’s consolidated financial position or results of operations. See Part I, Item 3 of the Partnership’s December 31, 2003 Annual Report on Form 10-K for further discussion of significant pending litigation.

Regulations and Environmental Matters

On November 6, 2001, the Partnership received from the DEC the Facility’s Title V operating permit endorsed by the DEC on November 2, 2001 (the “Title V Permit”). The Title V Permit as received by the Partnership contains conditions that conflict with the Partnership’s existing air permits, and the Facility’s compliance with these conditions under certain operating circumstances would be problematic. Further, the Partnership believes that certain of the conditions contained in the Title V Permit are inconsistent with the laws and regulations underlying the Title V program and Title V operating permits issued by the DEC to comparable electric generating facilities in New York. By letter dated November 12, 2001, the Partnership has filed with the DEC a request for an adjudicatory hearing to address and resolve the issues presented by the Title V Permit, and the terms and conditions of the Title V Permit will be stayed pending a final DEC decision on the appeal. At this time, the Partnership cannot assess whether a settlement can be achieved, the likely outcome of the adjudicatory hearing if no settlement is achieved, or the impact on the Facility.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For quantitative and qualitative disclosures about market risk, see Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of the Partnership’s December 31, 2003 Annual Report on Form 10-K. The Partnership’s exposures to market risk have not changed materially since December 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation of the disclosure controls and procedures of the Partnership and Funding Corporation as of September 30, 2004 has been conducted under the supervision and with the participation of the principal executive officer and principal financial officer of both JMC Selkirk, Inc. (as Managing General Partner of the Partnership) and the Funding Corporation. Based on that evaluation, such officers have concluded that, as of such date, the disclosure controls and procedures of the Partnership and Funding Corporation are effective, in that they provide reasonable assurance that such officers are alerted on a timely basis to material information that is required to be included in the Partnership’s and Funding Corporation’s periodic filings under the Securities and Exchange Act of 1934, as amended.

During the quarter ended September 30, 2004, no changes occurred in the Partnership’s or Funding Corporation’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Partnership’s or Funding Corporation’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 5. OTHER INFORMATION

Firm Natural Gas Supply Agreements

The Partnership has been engaged in discussions with certain of its fuel suppliers regarding the extension or replacement of the related firm natural gas supply agreements in order to meet the Gas Contract Extension Conditions under the Partnership's financing documents so as to prevent the requirement of deposits into the Gas Contract Extension Fund, and thus prevent the resulting restriction on the Partnership's ability to make distributions to its partners after December 26, 2004. See Part I, Item 2., Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – *Gas Contract Extension Fund*, for a description of the Gas Contract Extension Fund.

In connection with these discussions, on November 12, 2004 the Partnership entered into a new agreement (the "Additional Agreement") with Canadian Forest Oil Ltd. (formerly, Producers Marketing Ltd.), one of its fuel suppliers, to replace the volumes of natural gas currently being provided by such supplier under its existing firm natural gas supply agreement when the agreement expires on October 31, 2009 (the "Expiration Date"). The initial term of the Additional Agreement commences on November 1, 2004 and ends on the Expiration Date, and the subsequent term extends from November 1, 2009 through October 31, 2014. The Additional Agreement does not include a minimum contract volume purchase obligation and effectively eliminates the Partnership's minimum contract volume purchase obligation under the existing firm natural gas supply agreement; provides for additional volumes of gas supply to be available for purchase at the option of the Partnership; and includes additional pricing provisions for all quantities of gas purchased from the fuel supplier.

The Partnership is continuing its discussions with two other fuel suppliers regarding the extension or replacement of their respective firm natural gas supply agreements with the Partnership. The firm natural gas supply agreement with the Partnership's fourth fuel supplier contains a provision that would allow the Partnership, at its option, to elect to extend the term of the agreement. Management of the Partnership expects to defer exercising this extension option until it has further information about the status of the Partnership's discussions with the other two fuel suppliers and can evaluate the prospects for the Partnership's satisfaction of the Gas Contract Extension Conditions, as well as the availability of the Extraordinary Optional Redemption. See Part I, Item 2., Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – *Extraordinary Optional Redemption*, for a description of this optional redemption provision.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibit
10.1	Base Contract for Sale and Purchase of Natural Gas, dated as of November 1, 2004, between Selkirk Cogen Partners, L.P. and Canadian Forest Oil Ltd.
31.1	Certification of Principal Executive Officer of JMC Selkirk, Inc., as Managing General Partner of Selkirk Cogen Partners, L.P., pursuant to Section 302 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
31.2	Certification of Principal Financial Officer of JMC Selkirk, Inc., as Managing General Partner of Selkirk Cogen Partners, L.P., pursuant to Section 302 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
31.3	Certification of Principal Executive Officer of Selkirk Cogen Funding Corporation, pursuant to Section 302 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
31.4	Certification of Principal Financial Officer of Selkirk Cogen Funding Corporation, pursuant to Section 302 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
32.1	Certification of Principal Executive Officer of JMC Selkirk, Inc., as Managing General Partner of Selkirk Cogen Partners, L.P., pursuant to Section 906 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
32.2	Certification of Principal Financial Officer of JMC Selkirk, Inc., as Managing General Partner of Selkirk Cogen Partners, L.P., pursuant to Section 906 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
32.3	Certification of Principal Executive Officer of Selkirk Cogen Funding Corporation, pursuant to Section 906 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004
32.4	Certification of Principal Financial Officer of Selkirk Cogen Funding Corporation, pursuant to Section 906 of the Sarbanes — Oxley Act of 2002 dated November 12, 2004

Omitted from this Part II are items which are not applicable or to which the answer is negative for the periods covered.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned thereunto duly authorized.

SELKIRK COGEN PARTNERS, L.P.

By: JMC SELKIRK, INC.,
Managing General Partner

Date: November 12, 2004

/s/ J. TRACY MEY

Name: J. Tracy Mey
Title: Controller and Chief Accounting Officer

SELKIRK COGEN FUNDING CORPORATION

Date: November 12, 2004

/s/ J. TRACY MEY

Name: J. Tracy Mey
Title: Controller and Chief Accounting Officer

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Base Contract for Sale and Purchase of Natural Gas

This Base Contract is entered into as of the following date: November 1, 2004. The parties to this Base Contract are the following:

Selkirk Cogen Partners, LP
24 Power Park Dr., Selkirk, NY 12158
Duns Number: 78-732-7881
Contract Number:
U.S. Federal Tax ID Number: 04-3126542

and

Canadian Forest Oil Ltd.
600, 800 - 6th Ave., Calgary, Alberta T2P 3G3
Duns Number:
Contract Number:
U.S. Federal Tax ID Number: N/A

Notices:
Selkirk Cogen Partners, LP
Attn: General Manager
Phone: 518-475-5773 x102 Fax: 518-475-5199

Canadian Forest Oil Ltd.
Attn: James Good, President
Phone: 403-292-8013 Fax: 403-261-7665

Confirmations:
Selkirk Cogen Partners, LP
Attn: Site Business Analyst
Phone: 518-475-5773 x136 Fax: 518-475-5199

Canadian Forest Oil Ltd. c/o Forest Oil Corporation
Attn: Blaine Wofford, Vice President Oil & Gas Marketing
Phone: 303-812- 1477 Fax: 303-812-1599

Invoices and Payments:
Selkirk Cogen Partners, LP
Attn: Accounting Manager
24 Power Park Dr., Selkirk, NY 12158
Phone: 518-475-5773 x143 Fax: 518-475-5199

Canadian Forest Oil Ltd.
Attn: James Good, President
600, 800 - 6th Ave., Calgary, Alberta T2P 3G3
Phone: 403-292-8013 Fax: 403-261-7665

Wire Transfer or ACH Numbers (if applicable):
BANK: Bankers Trust Company
ABA: 021-001-033
ACCT: 01-419-647
Other Details: Project Revenue Fund #12103

BANK: Wachovia Bank, N.A., New York, New York
ABA: 026005092
ACCT: 2000192009878 (SWIFT BIC PNBpus3nnyyc)
Other Details: Credit to Bank of Montreal, Calgary, Alberta;
Beneficiary: 00104849278 (US Dollars)
Canadian Forest Oil Ltd.

This Base Contract incorporates by reference for all purposes the General Terms and Conditions for Sale and Purchase of Natural Gas published by the North American Energy Standards Board. The parties hereby agree to the following provisions offered in said General Terms and Conditions. In the event the parties fail to check a box, the specified default provision shall apply. Select only one box from each section:

Section 1.2 Transaction Procedure	<input type="checkbox"/> Oral (default) <input checked="" type="checkbox"/> Written	Section 7.2 Payment Date	<input checked="" type="checkbox"/> 25 th Day of Month following Month of delivery (default) <input type="checkbox"/> _____ Day of Month following Month of delivery
Section 2.5 Confirm Deadline	<input checked="" type="checkbox"/> 2 Business Days after receipt (default) <input type="checkbox"/> _____ Business Days after receipt	Section 7.2 Method of Payment	<input checked="" type="checkbox"/> Wire transfer (default) <input type="checkbox"/> Automated Clearinghouse Credit (ACH) <input type="checkbox"/> Check
Section 2.6 Confirming Party	<input checked="" type="checkbox"/> Seller (default) <input type="checkbox"/> Buyer <input type="checkbox"/> _____	Section 7.7 Netting	<input type="checkbox"/> Netting applies (default) <input checked="" type="checkbox"/> Netting does not apply
Section 3.2 Performance Obligation	<input type="checkbox"/> Cover Standard (default) <input checked="" type="checkbox"/> Spot Price Standard	Section 10.3.1 Early Termination Damages	<input checked="" type="checkbox"/> Early Termination Damages Apply (default) <input type="checkbox"/> Early Termination Damages Do Not Apply
Note: <i>The following Spot Price Publication applies to both of the immediately preceding.</i>		Section 10.3.2 Other Agreement Setoffs	<input type="checkbox"/> Other Agreement Setoffs Apply (default) <input type="checkbox"/> Other Agreement Setoffs Do Not Apply See Special Provisions
Section 2.26 Spot Price Publication	<input checked="" type="checkbox"/> Gas Daily Midpoint (default) <input type="checkbox"/> : _____	Section 14.5 Choice Of Law	See Special Provisions
Section 6 Taxes	<input type="checkbox"/> Buyer Pays At and After Delivery Point (default) <input checked="" type="checkbox"/> Seller Pays Before and At Delivery Point	Section 14.10 Confidentiality	<input type="checkbox"/> Confidentiality applies (default) <input checked="" type="checkbox"/> Confidentiality does not apply

☒Special Provisions Number of sheets attached: seven
☒Addendum(s): Canadian Addendum

IN WITNESS WHEREOF, the parties hereto have executed this Base Contract in duplicate.

<hr/> Party Name — Selkirk Cogen Partner, LP	<hr/> Party Name — Canadian Forest Oil Ltd.
By /s/ F. JOSEPH FEYDER	By /s/ JAMES R. GOOD
<hr/>	<hr/>
Name: F. Joseph Feyder Title: Vice President	Name: James R. Good Title: President

General Terms and Conditions
Base Contract for Sale and Purchase of Natural Gas

SECTION 1. PURPOSE AND PROCEDURES

1.1. These General Terms and Conditions are intended to facilitate purchase and sale transactions of Gas on a Firm or Interruptible basis. “Buyer” refers to the party receiving Gas and “Seller” refers to the party delivering Gas. The entire agreement between the parties shall be the Contract as defined in Section 2.7.

The parties have selected either the “Oral Transaction Procedure” or the “Written Transaction Procedure” as indicated on the Base Contract.

Oral Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Any Gas purchase and sale transaction may be effectuated in an EDI transmission or telephone conversation with the offer and acceptance constituting the agreement of the parties. The parties shall be legally bound from the time they so agree to transaction terms and may each rely thereon. Any such transaction shall be considered a “writing” and to have been “signed”. Notwithstanding the foregoing sentence, the parties agree that Confirming Party shall, and the other party may, confirm a telephonic transaction by sending the other party a Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means within three Business Days of a transaction covered by this Section 1.2 (Oral Transaction Procedure) provided that the failure to send a Transaction Confirmation shall not invalidate the oral agreement of the parties. Confirming Party adopts its confirming letterhead, or the like, as its signature on any Transaction Confirmation as the identification and authentication of Confirming Party. If the Transaction Confirmation contains any provisions other than those relating to the commercial terms of the transaction (i.e., price, quantity, performance obligation, delivery point, period of delivery and/or transportation conditions), which modify or supplement the Base Contract or General Terms and Conditions of this Contract (e.g., arbitration or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 1.3 but must be expressly agreed to by both parties; provided that the foregoing shall not invalidate any transaction agreed to by the parties.

Written Transaction Procedure:

1.2. The parties will use the following Transaction Confirmation procedure. Should the parties come to an agreement regarding a Gas purchase and sale transaction for a particular Delivery Period, the Confirming Party shall, and the other party may, record that agreement on a Transaction Confirmation and communicate such Transaction Confirmation by facsimile, EDI or mutually agreeable electronic means, to the other party by the close of the Business Day following the date of agreement. The parties acknowledge that their agreement will not be binding until the exchange of nonconflicting Transaction Confirmations or the passage of the Confirm Deadline without objection from the receiving party, as provided in Section 1.3.

1.3. If a sending party’s Transaction Confirmation is materially different from the receiving party’s understanding of the agreement referred to in Section 1.2, such receiving party shall notify the sending party via facsimile, EDI or mutually agreeable electronic means by the Confirm Deadline, unless such receiving party has previously sent a Transaction Confirmation to the sending party. The failure of the receiving party to so notify the sending party in writing by the Confirm Deadline constitutes the receiving party’s agreement to the terms of the transaction described in the sending party’s Transaction Confirmation. If there are any material differences between timely sent Transaction Confirmations governing the same transaction, then neither Transaction Confirmation shall be binding until or unless such differences are resolved including the use of any evidence that clearly resolves the differences in the Transaction Confirmations. In the event of a conflict among the terms of (i) a binding Transaction Confirmation pursuant to Section 1.2, (ii) the oral agreement of the parties which may be evidenced by a recorded conversation, where the parties have selected the Oral Transaction Procedure of the Base Contract, (iii) the Base Contract, and (iv) these General Terms and Conditions, the terms of the documents shall govern in the priority listed in this sentence.

1.4. The parties agree that each party may electronically record all telephone conversations with respect to this Contract between their respective employees, without any special or further notice to the other party. Each party shall obtain any necessary consent of its agents and employees to such recording. Where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, the parties agree not to contest the validity or enforceability of telephonic recordings entered into in accordance with the requirements of this Base Contract. However, nothing herein shall be construed as a waiver of any objection to the admissibility of such evidence.

SECTION 2. DEFINITIONS

The terms set forth below shall have the meaning ascribed to them below. Other terms are also defined elsewhere in the Contract and shall have the meanings ascribed to them herein.

2.1. “Alternative Damages” shall mean such damages, expressed in dollars or dollars per MMBtu, as the parties shall agree upon in the Transaction Confirmation, in the event either Seller or Buyer fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer.

2.2. “Base Contract” shall mean a contract executed by the parties that incorporates these General Terms and Conditions by reference; that specifies the agreed selections of provisions contained herein; and that sets forth other information required herein and any Special Provisions and addendum(s) as identified on page one.

2.3. “British thermal unit” or “Btu” shall mean the International BTU, which is also called the Btu (IT).

2.4. “Business Day” shall mean any day except Saturday, Sunday or Federal Reserve Bank holidays.

2.5. “Confirm Deadline” shall mean 5:00 p.m. in the receiving party’s time zone on the second Business Day following the Day a Transaction Confirmation is received or, if applicable, on the Business Day agreed to by the parties in the Base Contract; provided, if the Transaction Confirmation is time stamped after 5:00 p.m. in the receiving party’s time zone, it shall be deemed received at the opening of the next Business Day.

2.6. “Confirming Party” shall mean the party designated in the Base Contract to prepare and forward Transaction Confirmations to the other party.

2.7. “Contract” shall mean the legally-binding relationship established by (i) the Base Contract, (ii) any and all binding Transaction Confirmations and (iii) where the parties have selected the Oral Transaction Procedure in Section 1.2 of the Base Contract, any and all transactions that the parties have entered into through an EDI transmission or by telephone, but that have not been confirmed in a binding Transaction Confirmation.

2.8. “Contract Price” shall mean the amount expressed in U.S. Dollars per MMBtu to be paid by Buyer to Seller for the purchase of Gas as agreed to by the parties in a transaction.

2.9. “Contract Quantity” shall mean the quantity of Gas to be delivered and taken as agreed to by the parties in a transaction.

2.10. “Cover Standard”, as referred to in Section 3.2, shall mean that if there is an unexcused failure to take or deliver any quantity of Gas pursuant to this Contract, then the performing party shall use commercially reasonable efforts to (i) if Buyer is the performing party, obtain Gas, (or an alternate fuel if elected by Buyer and replacement Gas is not available), or (ii) if Seller is the performing party, sell Gas, in either case, at a price reasonable for the delivery or production area, as applicable, consistent with: the amount of notice provided by the nonperforming party; the immediacy of the Buyer’s Gas consumption needs or Seller’s Gas sales requirements, as applicable; the quantities involved; and the anticipated length of failure by the nonperforming party.

2.11. “Credit Support Obligation(s)” shall mean any obligation(s) to provide or establish credit support for, or on behalf of, a party to this Contract such as an irrevocable standby letter of credit, a margin agreement, a prepayment, a security interest in an asset, a performance bond, guaranty, or other good and sufficient security of a continuing nature.

2.12. “Day” shall mean a period of 24 consecutive hours, coextensive with a “day” as defined by the Receiving Transporter in a particular transaction.

2.13. “Delivery Period” shall be the period during which deliveries are to be made as agreed to by the parties in a transaction.

2.14. “Delivery Point(s)” shall mean such point(s) as are agreed to by the parties in a transaction.

2.15. “EDI” shall mean an electronic data interchange pursuant to an agreement entered into by the parties, specifically relating to the communication of Transaction Confirmations under this Contract.

2.16. “EFP” shall mean the purchase, sale or exchange of natural Gas as the “physical” side of an exchange for physical transaction involving gas futures contracts. EFP shall incorporate the meaning and remedies of “Firm”, provided that a party’s excuse for nonperformance of its obligations to deliver or receive Gas will be governed by the rules of the relevant futures exchange regulated under the Commodity Exchange Act.

2.17. “Firm” shall mean that either party may interrupt its performance without liability only to the extent that such performance is prevented for reasons of Force Majeure; provided, however, that during Force Majeure interruptions, the party invoking Force Majeure may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by the Transporter.

2.18. “Gas” shall mean any mixture of hydrocarbons and noncombustible gases in a gaseous state consisting primarily of methane.

2.19. “Imbalance Charges” shall mean any fees, penalties, costs or charges (in cash or in kind) assessed by a Transporter for failure to satisfy the Transporter’s balance and/or nomination requirements.

2.20. “Interruptible” shall mean that either party may interrupt its performance at any time for any reason, whether or not caused by an event of Force Majeure, with no liability, except such interrupting party may be responsible for any Imbalance Charges as set forth in Section 4.3 related to its interruption after the nomination is made to the Transporter and until the change in deliveries and/or receipts is confirmed by Transporter.

2.21. “MMBtu” shall mean one million British thermal units, which is equivalent to one dekatherm.

2.22. “Month” shall mean the period beginning on the first Day of the calendar month and ending immediately prior to the commencement of the first Day of the next calendar month.

2.23. “Payment Date” shall mean a date, as indicated on the Base Contract, on or before which payment is due Seller for Gas received by Buyer in the previous Month.

2.24. “Receiving Transporter” shall mean the Transporter receiving Gas at a Delivery Point, or absent such receiving Transporter, the Transporter delivering Gas at a Delivery Point.

2.25. “Scheduled Gas” shall mean the quantity of Gas confirmed by Transporter(s) for movement, transportation or management.

2.26. “Spot Price “ as referred to in Section 3.2 shall mean the price listed in the publication indicated on the Base Contract, under the listing applicable to the geographic location closest in proximity to the Delivery Point(s) for the relevant Day; provided, if there is no single price published for such location for such Day, but there is published a range of prices, then the Spot Price shall be the average of such high and low prices. If no price or range of prices is published for such Day, then the Spot Price shall be the average of the following: (i) the price (determined as stated above) for the first Day for which a price or range of prices is published that next precedes

the relevant Day; and (ii) the price (determined as stated above) for the first Day for which a price or range of prices is published that next follows the relevant Day.

2.27. “Transaction Confirmation” shall mean a document, similar to the form of Exhibit A, setting forth the terms of a transaction formed pursuant to Section 1 for a particular Delivery Period.

2.28. “Termination Option” shall mean the option of either party to terminate a transaction in the event that the other party fails to perform a Firm obligation to deliver Gas in the case of Seller or to receive Gas in the case of Buyer for a designated number of days during a period as specified on the applicable Transaction Confirmation.

2.29. “Transporter(s)” shall mean all Gas gathering or pipeline companies, or local distribution companies, acting in the capacity of a transporter, transporting Gas for Seller or Buyer upstream or downstream, respectively, of the Delivery Point pursuant to a particular transaction.

SECTION 3. PERFORMANCE OBLIGATION

3.1. Seller agrees to sell and deliver, and Buyer agrees to receive and purchase, the Contract Quantity for a particular transaction in accordance with the terms of the Contract. Sales and purchases will be on a Firm or Interruptible basis, as agreed to by the parties in a transaction.

The parties have selected either the “Cover Standard” or the “Spot Price Standard” as indicated on the Base Contract.

Cover Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the positive difference, if any, between the purchase price paid by Buyer utilizing the Cover Standard and the Contract Price, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller for such Day(s); or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in the amount equal to the positive difference, if any, between the Contract Price and the price received by Seller utilizing the Cover Standard for the resale of such Gas, adjusted for commercially reasonable differences in transportation costs to or from the Delivery Point(s), multiplied by the difference between the Contract Quantity and the quantity actually taken by Buyer for such Day(s); or (iii) in the event that Buyer has used commercially reasonable efforts to replace the Gas or Seller has used commercially reasonable efforts to sell the Gas to a third party, and no such replacement or sale is available, then the sole and exclusive remedy of the performing party shall be any unfavorable difference between the Contract Price and the Spot Price, adjusted for such transportation to the applicable Delivery Point, multiplied by the difference between the Contract Quantity and the quantity actually delivered by Seller and received by Buyer for such Day(s). Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party’s invoice, which shall set forth the basis upon which such amount was calculated.

Spot Price Standard:

3.2. The sole and exclusive remedy of the parties in the event of a breach of a Firm obligation to deliver or receive Gas shall be recovery of the following: (i) in the event of a breach by Seller on any Day(s), payment by Seller to Buyer in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the Contract Price from the Spot Price; or (ii) in the event of a breach by Buyer on any Day(s), payment by Buyer to Seller in an amount equal to the difference between the Contract Quantity and the actual quantity delivered by Seller and received by Buyer for such Day(s), multiplied by the positive difference, if any, obtained by subtracting the applicable Spot Price from the Contract Price. Imbalance Charges shall not be recovered under this Section 3.2, but Seller and/or Buyer shall be responsible for Imbalance Charges, if any, as provided in Section 4.3. The amount of such unfavorable difference shall be payable five Business Days after presentation of the performing party’s invoice, which shall set forth the basis upon which such amount was calculated.

3.3. Notwithstanding Section 3.2, the parties may agree to Alternative Damages in a Transaction Confirmation executed in writing by both parties.

3.4. In addition to Sections 3.2 and 3.3, the parties may provide for a Termination Option in a Transaction Confirmation executed in writing by both parties. The Transaction Confirmation containing the Termination Option will designate the length of nonperformance triggering the Termination Option and the procedures for exercise thereof, how damages for nonperformance will be compensated, and how liquidation costs will be calculated.

SECTION 4. TRANSPORTATION, NOMINATIONS, AND IMBALANCES

4.1. Seller shall have the sole responsibility for transporting the Gas to the Delivery Point(s). Buyer shall have the sole responsibility for transporting the Gas from the Delivery Point(s).

4.2. The parties shall coordinate their nomination activities, giving sufficient time to meet the deadlines of the affected Transporter(s). Each party shall give the other party timely prior Notice, sufficient to meet the requirements of all Transporter(s) involved in the transaction, of the quantities of Gas to be delivered and purchased each Day. Should either party become aware that actual deliveries at the Delivery Point(s) are greater or lesser than the Scheduled Gas, such party shall promptly notify the other party.

4.3. The parties shall use commercially reasonable efforts to avoid imposition of any Imbalance Charges. If Buyer or Seller receives an invoice from a Transporter that includes Imbalance Charges, the parties shall determine the validity as well as the cause of such Imbalance

Charges. If the Imbalance Charges were incurred as a result of Buyer’s receipt of quantities of Gas greater than or less than the Scheduled Gas, then Buyer shall pay for such Imbalance Charges or reimburse Seller for such Imbalance Charges paid by Seller. If the Imbalance Charges were incurred as a result of Seller’s delivery of quantities of Gas greater than or less than the Scheduled Gas, then Seller shall pay for such Imbalance Charges or reimburse Buyer for such Imbalance Charges paid by Buyer.

SECTION 5. QUALITY AND MEASUREMENT

All Gas delivered by Seller shall meet the pressure, quality and heat content requirements of the Receiving Transporter. The unit of quantity measurement for purposes of this Contract shall be one MMBtu dry. Measurement of Gas quantities hereunder shall be in accordance with the established procedures of the Receiving Transporter.

SECTION 6. TAXES

The parties have selected either “Buyer Pays At and After Delivery Point” or “Seller Pays Before and At Delivery Point” as indicated on the Base Contract.

Buyer Pays At and After Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority (“Taxes”) on or with respect to the Gas prior to the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas at the Delivery Point(s) and all Taxes after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party’s responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

Seller Pays Before and At Delivery Point:

Seller shall pay or cause to be paid all taxes, fees, levies, penalties, licenses or charges imposed by any government authority (“Taxes”) on or with respect to the Gas prior to the Delivery Point(s) and all Taxes at the Delivery Point(s). Buyer shall pay or cause to be paid all Taxes on or with respect to the Gas after the Delivery Point(s). If a party is required to remit or pay Taxes that are the other party’s responsibility hereunder, the party responsible for such Taxes shall promptly reimburse the other party for such Taxes. Any party entitled to an exemption from any such Taxes or charges shall furnish the other party any necessary documentation thereof.

SECTION 7. BILLING, PAYMENT, AND AUDIT

7.1. Seller shall invoice Buyer for Gas delivered and received in the preceding Month and for any other applicable charges, providing supporting documentation acceptable in industry practice to support the amount charged. If the actual quantity delivered is not known by the billing date, billing will be prepared based on the quantity of Scheduled Gas. The invoiced quantity will then be adjusted to the actual quantity on the following Month’s billing or as soon thereafter as actual delivery information is available.

7.2. Buyer shall remit the amount due under Section 7.1 in the manner specified in the Base Contract, in immediately available funds, on or before the later of the Payment Date or 10 Days after receipt of the invoice by Buyer; provided that if the Payment Date is not a Business Day, payment is due on the next Business Day following that date. In the event any payments are due Buyer hereunder, payment to Buyer shall be made in accordance with this Section 7.2.

7.3. In the event payments become due pursuant to Sections 3.2 or 3.3, the performing party may submit an invoice to the nonperforming party for an accelerated payment setting forth the basis upon which the invoiced amount was calculated. Payment from the nonperforming party will be due five Business Days after receipt of invoice.

7.4. If the invoiced party, in good faith, disputes the amount of any such invoice or any part thereof, such invoiced party will pay such amount as it concedes to be correct; provided, however, if the invoiced party disputes the amount due, it must provide supporting documentation acceptable in industry practice to support the amount paid or disputed. In the event the parties are unable to resolve such dispute, either party may pursue any remedy available at law or in equity to enforce its rights pursuant to this Section.

7.5. If the invoiced party fails to remit the full amount payable when due, interest on the unpaid portion shall accrue from the date due until the date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under “Money Rates” by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

7.6. A party shall have the right, at its own expense, upon reasonable Notice and at reasonable times, to examine and audit and to obtain copies of the relevant portion of the books, records, and telephone recordings of the other party only to the extent reasonably necessary to verify the accuracy of any statement, charge, payment, or computation made under the Contract. This right to examine, audit, and to obtain copies shall not be available with respect to proprietary information not directly relevant to transactions under this Contract. All invoices and billings shall be conclusively presumed final and accurate and all associated claims for under- or overpayments shall be deemed waived unless such invoices or billings are objected to in writing, with adequate explanation and/or documentation, within two years after the Month of Gas delivery. All retroactive adjustments under Section 7 shall be paid in full by the party owing payment within 30 Days of Notice and substantiation of such inaccuracy.

7.7. Unless the parties have elected on the Base Contract not to make this Section 7.7 applicable to this Contract, the parties shall net all undisputed amounts due and owing, and/or past due, arising under the Contract such that the party owing the greater amount shall make a single payment of the net amount to the other party in accordance with Section 7; provided that no payment required to be made pursuant to the terms of any Credit Support Obligation or pursuant to Section 7.3 shall be subject to netting under this Section. If the parties have executed a separate netting agreement, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 8. TITLE, WARRANTY, AND INDEMNITY

- 8.1. Unless otherwise specifically agreed, title to the Gas shall pass from Seller to Buyer at the Delivery Point(s). Seller shall have responsibility for and assume any liability with respect to the Gas prior to its delivery to Buyer at the specified Delivery Point(s). Buyer shall have responsibility for and any liability with respect to said Gas after its delivery to Buyer at the Delivery Point(s).
- 8.2. Seller warrants that it will have the right to convey and will transfer good and merchantable title to all Gas sold hereunder and delivered by it to Buyer, free and clear of all liens, encumbrances, and claims. EXCEPT AS PROVIDED IN THIS SECTION 8.2 AND IN SECTION 14.8, ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.
- 8.3. Seller agrees to indemnify Buyer and save it harmless from all losses, liabilities or claims including reasonable attorneys’ fees and costs of court (“Claims”), from any and all persons, arising from or out of claims of title, personal injury or property damage from said Gas or other charges thereon which attach before title passes to Buyer. Buyer agrees to indemnify Seller and save it harmless from all Claims, from any and all persons, arising from or out of claims regarding payment, personal injury or property damage from said Gas or other charges thereon which attach after title passes to Buyer.
- 8.4. Notwithstanding the other provisions of this Section 8, as between Seller and Buyer, Seller will be liable for all Claims to the extent that such arise from the failure of Gas delivered by Seller to meet the quality requirements of Section 5.

SECTION 9. NOTICES

- 9.1. All Transaction Confirmations, invoices, payments and other communications made pursuant to the Base Contract (“Notices”) shall be made to the addresses specified in writing by the respective parties from time to time.
- 9.2. All Notices required hereunder may be sent by facsimile or mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivered.
- 9.3. Notice shall be given when received on a Business Day by the addressee. In the absence of proof of the actual receipt date, the following presumptions will apply. Notices sent by facsimile shall be deemed to have been received upon the sending party’s receipt of its facsimile machine’s confirmation of successful transmission. If the day on which such facsimile is received is not a Business Day or is after five p.m. on a Business Day, then such facsimile shall be deemed to have been received on the next following Business Day. Notice by overnight mail or courier shall be deemed to have been received on the next Business Day after it was sent or such earlier time as is confirmed by the receiving party. Notice via first class mail shall be considered delivered five Business Days after mailing.

SECTION 10. FINANCIAL RESPONSIBILITY

- 10.1. If either party (“X”) has reasonable grounds for insecurity regarding the performance of any obligation under this Contract (whether or not then due) by the other party (“Y”) (including, without limitation, the occurrence of a material change in the creditworthiness of Y), X may demand Adequate Assurance of Performance. “Adequate Assurance of Performance” shall mean sufficient security in the form, amount and for the term reasonably acceptable to X, including, but not limited to, a standby irrevocable letter of credit, a prepayment, a security interest in an asset or a performance bond or guaranty (including the issuer of any such security).
- 10.2. In the event (each an “Event of Default”) either party (the “Defaulting Party”) or its guarantor shall: (i) make an assignment or any general arrangement for the benefit of creditors; (ii) file a petition or otherwise commence, authorize, or acquiesce in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors or have such petition filed or proceeding commenced against it; (iii) otherwise become bankrupt or insolvent (however evidenced); (iv) be unable to pay its debts as they fall due; (v) have a receiver, provisional liquidator, conservator, custodian, trustee or other similar official appointed with respect to it or substantially all of its assets; (vi) fail to perform any obligation to the other party with respect to any Credit Support Obligations relating to the Contract; (vii) fail to give Adequate Assurance of Performance under Section 10.1 within 48 hours but at least one Business Day of a written request by the other party; or (viii) not have paid any amount due the other party hereunder on or before the second Business Day following written Notice that such payment is due; then the other party (the “Non-Defaulting Party”) shall have the right, at its sole election, to immediately withhold and/or suspend deliveries or payments upon Notice and/or to terminate and liquidate the transactions under the Contract, in the manner provided in Section 10.3, in addition to any and all other remedies available hereunder.
- 10.3. If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right, by Notice to the Defaulting Party, to designate a Day, no earlier than the Day such Notice is given and no later than 20 Days after such Notice is given, as an early termination date (the “Early Termination Date”) for the liquidation and termination pursuant to Section 10.3.1 of all transactions under the Contract, each a “Terminated Transaction”. On the Early Termination Date, all transactions will terminate, other than those transactions, if any, that may not be liquidated and terminated under applicable law or that are, in the reasonable opinion of the Non-Defaulting Party, commercially impracticable to liquidate and terminate (“Excluded Transactions”), which Excluded Transactions must be liquidated and terminated as soon thereafter as is reasonably practicable, and upon termination shall be a Terminated Transaction and be valued consistent with Section 10.3.1 below. With respect to each Excluded Transaction, its actual termination date shall be the Early Termination Date for purposes of Section 10.3.1.

The parties have selected either “Early Termination Damages Apply” or “Early Termination Damages Do Not Apply” as indicated on the Base Contract.

Early Termination Damages Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, (i) the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract and (ii) the Market Value, as defined below, of each Terminated Transaction. The Non-Defaulting Party shall (x) liquidate and accelerate each Terminated Transaction at its Market Value, so that each amount equal to the difference between such Market Value and the Contract Value, as defined below, of such Terminated Transaction(s) shall be due to the Buyer under the Terminated Transaction(s) if such Market Value exceeds the Contract Value and to the Seller if the opposite is the case; and (y) where appropriate, discount each amount then due under clause (x) above to present value in a commercially reasonable manner as of the Early Termination Date (to take account of the period between the date of liquidation and the date on which such amount would have otherwise been due pursuant to the relevant Terminated Transactions).

For purposes of this Section 10.3.1, “Contract Value” means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the Contract Price, and “Market Value” means the amount of Gas remaining to be delivered or purchased under a transaction multiplied by the market price for a similar transaction at the Delivery Point determined by the Non-Defaulting Party in a commercially reasonable manner. To ascertain the Market Value, the Non-Defaulting Party may consider, among other valuations, any or all of the settlement prices of NYMEX Gas futures contracts, quotations from leading dealers in energy swap contracts or physical gas trading markets, similar sales or purchases and any other bona fide third-party offers, all adjusted for the length of the term and differences in transportation costs. A party shall not be required to enter into a replacement transaction(s) in order to determine the Market Value. Any extension(s) of the term of a transaction to which parties are not bound as of the Early Termination Date (including but not limited to “evergreen provisions”) shall not be considered in determining Contract Values and Market Values. For the avoidance of doubt, any option pursuant to which one party has the right to extend the term of a transaction shall be considered in determining Contract Values and Market Values. The rate of interest used in calculating net present value shall be determined by the Non-Defaulting Party in a commercially reasonable manner.

Early Termination Damages Do Not Apply:

10.3.1. As of the Early Termination Date, the Non-Defaulting Party shall determine, in good faith and in a commercially reasonable manner, the amount owed (whether or not then due) by each party with respect to all Gas delivered and received between the parties under Terminated Transactions and Excluded Transactions on and before the Early Termination Date and all other applicable charges relating to such deliveries and receipts (including without limitation any amounts owed under Section 3.2), for which payment has not yet been made by the party that owes such payment under this Contract.

The parties have selected either “Other Agreement Setoffs Apply” or “Other Agreement Setoffs Do Not Apply” as indicated on the Base Contract.

Other Agreement Setoffs Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the “Net Settlement Amount”). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff (i) any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract; or (ii) any Net Settlement Amount payable to the Defaulting Party against any amount(s) payable by the Defaulting Party to the Non-Defaulting Party under any other agreement or arrangement between the parties.

Other Agreement Setoffs Do Not Apply:

10.3.2. The Non-Defaulting Party shall net or aggregate, as appropriate, any and all amounts owing between the parties under Section 10.3.1, so that all such amounts are netted or aggregated to a single liquidated amount payable by one party to the other (the “Net Settlement Amount”). At its sole option and without prior Notice to the Defaulting Party, the Non-Defaulting Party may setoff any Net Settlement Amount owed to the Non-Defaulting Party against any margin or other collateral held by it in connection with any Credit Support Obligation relating to the Contract.

10.3.3. If any obligation that is to be included in any netting, aggregation or setoff pursuant to Section 10.3.2 is unascertained, the Non-Defaulting Party may in good faith estimate that obligation and net, aggregate or setoff, as applicable, in respect of the estimate, subject to the Non-Defaulting Party accounting to the Defaulting Party when the obligation is ascertained. Any amount not then due which is included in any netting, aggregation or setoff pursuant to Section 10.3.2 shall be discounted to net present value in a commercially reasonable manner determined by the Non-Defaulting Party.

10.4. As soon as practicable after a liquidation, Notice shall be given by the Non-Defaulting Party to the Defaulting Party of the Net Settlement Amount, and whether the Net Settlement Amount is due to or due from the Non-Defaulting Party. The Notice shall include a written statement explaining in reasonable detail the calculation of such amount, provided that failure to give such Notice shall not affect the validity or enforceability of the liquidation or give rise to any claim by the Defaulting Party against the Non-Defaulting Party. The Net Settlement Amount shall be paid by the close of business on the second Business Day following such Notice, which date shall not be earlier than the Early Termination Date. Interest on any unpaid portion of the Net Settlement Amount shall accrue from the date due until the

date of payment at a rate equal to the lower of (i) the then-effective prime rate of interest published under “Money Rates” by The Wall Street Journal, plus two percent per annum; or (ii) the maximum applicable lawful interest rate.

10.5. The parties agree that the transactions hereunder constitute a “forward contract” within the meaning of the United States Bankruptcy Code and that Buyer and Seller are each “forward contract merchants” within the meaning of the United States Bankruptcy Code.

10.6. The Non-Defaulting Party’s remedies under this Section 10 are the sole and exclusive remedies of the Non-Defaulting Party with respect to the occurrence of any Early Termination Date. Each party reserves to itself all other rights, setoffs, counterclaims and other defenses that it is or may be entitled to arising from the Contract.

10.7. With respect to this Section 10, if the parties have executed a separate netting agreement with close-out netting provisions, the terms and conditions therein shall prevail to the extent inconsistent herewith.

SECTION 11. FORCE MAJEURE

11.1. Except with regard to a party’s obligation to make payment(s) due under Section 7, Section 10.4, and Imbalance Charges under Section 4, neither party shall be liable to the other for failure to perform a Firm obligation, to the extent such failure was caused by Force Majeure. The term “Force Majeure” as employed herein means any cause not reasonably within the control of the party claiming suspension, as further defined in Section 11.2.

11.2. Force Majeure shall include, but not be limited to, the following: (i) physical events such as acts of God, landslides, lightning, earthquakes, fires, storms or storm warnings, such as hurricanes, which result in evacuation of the affected area, floods, washouts, explosions, breakage or accident or necessity of repairs to machinery or equipment or lines of pipe; (ii) weather related events affecting an entire geographic region, such as low temperatures which cause freezing or failure of wells or lines of pipe; (iii) interruption and/or curtailment of Firm transportation and/or storage by Transporters; (iv) acts of others such as strikes, lockouts or other industrial disturbances, riots, sabotage, insurrections or wars; and (v) governmental actions such as necessity for compliance with any court order, law, statute, ordinance, regulation, or policy having the effect of law promulgated by a governmental authority having jurisdiction. Seller and Buyer shall make reasonable efforts to avoid the adverse impacts of a Force Majeure and to resolve the event or occurrence once it has occurred in order to resume performance.

11.3. Neither party shall be entitled to the benefit of the provisions of Force Majeure to the extent performance is affected by any or all of the following circumstances: (i) the curtailment of interruptible or secondary Firm transportation unless primary, in-path, Firm transportation is also curtailed; (ii) the party claiming excuse failed to remedy the condition and to resume the performance of such covenants or obligations with reasonable dispatch; or (iii) economic hardship, to include, without limitation, Seller’s ability to sell Gas at a higher or more advantageous price than the Contract Price, Buyer’s ability to purchase Gas at a lower or more advantageous price than the Contract Price, or a regulatory agency disallowing, in whole or in part, the pass through of costs resulting from this Agreement; (iv) the loss of Buyer’s market(s) or Buyer’s inability to use or resell Gas purchased hereunder, except, in either case, as provided in Section 11.2; or (v) the loss or failure of Seller’s gas supply or depletion of reserves, except, in either case, as provided in Section 11.2. The party claiming Force Majeure shall not be excused from its responsibility for Imbalance Charges.

11.4. Notwithstanding anything to the contrary herein, the parties agree that the settlement of strikes, lockouts or other industrial disturbances shall be within the sole discretion of the party experiencing such disturbance.

11.5. The party whose performance is prevented by Force Majeure must provide Notice to the other party. Initial Notice may be given orally; however, written Notice with reasonably full particulars of the event or occurrence is required as soon as reasonably possible. Upon providing written Notice of Force Majeure to the other party, the affected party will be relieved of its obligation, from the onset of the Force Majeure event, to make or accept delivery of Gas, as applicable, to the extent and for the duration of Force Majeure, and neither party shall be deemed to have failed in such obligations to the other during such occurrence or event.

11.6. Notwithstanding Sections 11.2 and 11.3, the parties may agree to alternative Force Majeure provisions in a Transaction Confirmation executed in writing by both parties.

SECTION 12. TERM

This Contract may be terminated on 30 Day’s written Notice, but shall remain in effect until the expiration of the latest Delivery Period of any transaction(s). The rights of either party pursuant to Section 7.6 and Section 10, the obligations to make payment hereunder, and the obligation of either party to indemnify the other, pursuant hereto shall survive the termination of the Base Contract or any transaction.

SECTION 13. LIMITATIONS

FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. A PARTY’S LIABILITY HEREUNDER SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN OR IN A TRANSACTION, A PARTY’S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY. SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE.

TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

SECTION 14. MISCELLANEOUS

14.1. This Contract shall be binding upon and inure to the benefit of the successors, assigns, personal representatives, and heirs of the respective parties hereto, and the covenants, conditions, rights and obligations of this Contract shall run for the full term of this Contract. No assignment of this Contract, in whole or in part, will be made without the prior written consent of the non-assigning party (and shall not relieve the assigning party from liability hereunder), which consent will not be unreasonably withheld or delayed; provided, either party may (i) transfer, sell, pledge, encumber, or assign this Contract or the accounts, revenues, or proceeds hereof in connection with any financing or other financial arrangements, or (ii) transfer its interest to any parent or affiliate by assignment, merger or otherwise without the prior approval of the other party. Upon any such assignment, transfer and assumption, the transferor shall remain principally liable for and shall not be relieved of or discharged from any obligations hereunder.

14.2. If any provision in this Contract is determined to be invalid, void or unenforceable by any court having jurisdiction, such determination shall not invalidate, void, or make unenforceable any other provision, agreement or covenant of this Contract.

14.3. No waiver of any breach of this Contract shall be held to be a waiver of any other or subsequent breach.

14.4. This Contract sets forth all understandings between the parties respecting each transaction subject hereto, and any prior contracts, understandings and representations, whether oral or written, relating to such transactions are merged into and superseded by this Contract and any effective transaction(s). This Contract may be amended only by a writing executed by both parties.

14.5. The interpretation and performance of this Contract shall be governed by the laws of the jurisdiction as indicated on the Base Contract, excluding, however, any conflict of laws rule which would apply the law of another jurisdiction.

14.6. This Contract and all provisions herein will be subject to all applicable and valid statutes, rules, orders and regulations of any governmental authority having jurisdiction over the parties, their facilities, or Gas supply, this Contract or transaction or any provisions thereof.

14.7. There is no third party beneficiary to this Contract.

14.8. Each party to this Contract represents and warrants that it has full and complete authority to enter into and perform this Contract. Each person who executes this Contract on behalf of either party represents and warrants that it has full and complete authority to do so and that such party will be bound thereby.

14.9. The headings and subheadings contained in this Contract are used solely for convenience and do not constitute a part of this Contract between the parties and shall not be used to construe or interpret the provisions of this Contract.

14.10. Unless the parties have elected on the Base Contract not to make this Section 14.10 applicable to this Contract, neither party shall disclose directly or indirectly without the prior written consent of the other party the terms of any transaction to a third party (other than the employees, lenders, royalty owners, counsel, accountants and other agents of the party, or prospective purchasers of all or substantially all of a party's assets or of any rights under this Contract, provided such persons shall have agreed to keep such terms confidential) except (i) in order to comply with any applicable law, order, regulation, or exchange rule, (ii) to the extent necessary for the enforcement of this Contract, (iii) to the extent necessary to implement any transaction, or (iv) to the extent such information is delivered to such third party for the sole purpose of calculating a published index. Each party shall notify the other party of any proceeding of which it is aware which may result in disclosure of the terms of any transaction (other than as permitted hereunder) and use reasonable efforts to prevent or limit the disclosure. The existence of this Contract is not subject to this confidentiality obligation. Subject to Section 13, the parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with this confidentiality obligation. The terms of any transaction hereunder shall be kept confidential by the parties hereto for one year from the expiration of the transaction.

In the event that disclosure is required by a governmental body or applicable law, the party subject to such requirement may disclose the material terms of this Contract to the extent so required, but shall promptly notify the other party, prior to disclosure, and shall cooperate (consistent with the disclosing party's legal obligations) with the other party's efforts to obtain protective orders or similar restraints with respect to such disclosure at the expense of the other party.

14.11 The parties may agree to dispute resolution procedures in Special Provisions attached to the Base Contract or in a Transaction Confirmation executed in writing by both parties.

DISCLAIMER: The purposes of this Contract are to facilitate trade, avoid misunderstandings and make more definite the terms of contracts of purchase and sale of natural gas. Further, NAESB does not mandate the use of this Contract by any party. **NAESB DISCLAIMS AND EXCLUDES, AND ANY USER OF THIS CONTRACT ACKNOWLEDGES AND AGREES TO NAESB'S DISCLAIMER OF, ANY AND ALL WARRANTIES, CONDITIONS OR REPRESENTATIONS, EXPRESS OR IMPLIED, ORAL OR WRITTEN, WITH RESPECT TO THIS CONTRACT OR ANY PART THEREOF, INCLUDING ANY AND ALL IMPLIED WARRANTIES OR CONDITIONS OF TITLE, NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE (WHETHER OR NOT NAESB KNOWS, HAS REASON TO KNOW, HAS BEEN ADVISED, OR IS OTHERWISE IN FACT AWARE OF ANY SUCH PURPOSE), WHETHER ALLEGED TO ARISE BY LAW, BY REASON OF CUSTOM OR USAGE IN THE TRADE, OR BY COURSE OF DEALING. EACH USER OF THIS CONTRACT ALSO AGREES THAT UNDER NO CIRCUMSTANCES WILL NAESB BE LIABLE FOR ANY DIRECT, SPECIAL, INCIDENTAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES ARISING OUT OF ANY USE OF THIS CONTRACT.**

TRANSACTION CONFIRMATION
FOR IMMEDIATE DELIVERY

Letterhead/Logo

Date: _____,
Transaction Confirmation #: _____

This Transaction Confirmation is subject to the Base Contract between Seller and Buyer dated _____. The terms of this Transaction Confirmation are binding unless disputed in writing within 2 Business Days of receipt unless otherwise specified in the Base Contract.

SELLER:

Attn: _____
Phone: _____
Fax: _____
Base Contract No. _____
Transporter: _____
Transporter Contract Number: _____

BUYER:

Attn: _____
Phone: _____
Fax: _____
Base Contract No. _____
Transporter: _____
Transporter Contract Number: _____

Contract Price: \$ _____/MMBtu or _____

Delivery Period: Begin: _____, _____ End: _____, _____

Performance Obligation and Contract Quantity: (Select One)

Firm (Fixed Quantity):
_____MMBtus/day
☐EFP

Firm (Variable Quantity):
_____MMBtus/day Minimum
_____MMBtus/day Maximum
subject to Section 4.2. at election of
☐ Buyer or ☐ Seller

Interruptible:
Up to _____ MMBtus/day

Delivery Point(s): _____
(If a pooling point is used, list a specific geographic and pipeline location):

Special Conditions:

Seller: _____

By: _____

Title: _____

Date: _____

Buyer: _____

By: _____

Title: _____

Date: _____

SPECIAL PROVISIONS

Attached to and forming part of a Base Contract for Sale and Purchase of Natural Gas entered into as of November 1, 2004 between Canadian Forest Oil Ltd. (“CFOL”) and Selkirk Cogen Partners, L.P (“Selkirk”). To the extent of any inconsistency between these Special Provisions and the remainder of the Base Contract, these Special Provisions shall control in all instances.

1. Definitions

Capitalized terms in these Special Provisions shall have the meaning attributed to them in the General Terms and Conditions. In addition, the terms set forth below shall have the meanings ascribed to them below:

- (a) “Additional Daily Quantity” means 21,000 MMBtu/day less the Existing Daily Quantity.
- (b) “Empress Delivery Point” means the delivery point set forth in the Selkirk/NBP Contract.
- (c) “Existing Daily Quantity” means the quantity of gas to be delivered pursuant to the Selkirk/NBP Contract.
- (d) “Iroquois Delivery Point” means that delivery point on the Canada/United States international border, which is the point of interconnection between the pipeline facilities of TCPL and Iroquois Gas Transmission System, L.P. at or near Iroquois, Ontario.
- (e) “Optional Daily Quantity” means 2,000 MMBtu/day.
- (f) “Reservation Fee” has the meaning ascribed to that term in section 5.
- (g) “Selkirk/NBP Contract” means the Amended and Restated Natural Gas Purchase Agreement between CFOL and Selkirk (originally between Selkirk Cogen Partners, LP and ATCOR Ltd.) dated effective January 21, 1993, as amended from time to time.
- (h) “TCPL” means TransCanada Pipelines Limited.
- (i) “TCPL Capacity Assignment” has the meaning ascribed to it in Section 8(a).

2. Term

This Contract shall have a term of ten (10) years (the “Term”). The Term shall be comprised of an initial term commencing November 1, 2004 and ending October 31, 2009 (the “Initial Term”), and a subsequent term commencing November 1, 2009 and ending October 31, 2014 (the “Subsequent Term”).

3. Quantities

Subject to section 7 of these Special Provisions, CFOL agrees to sell and deliver and Selkirk agrees to purchase and receive each day:

- (a) during the Initial Term the Additional Daily Quantity and, upon Selkirk's election from and after the first day of the month specified by Selkirk providing at least 10 days prior notice to CFOL, a further quantity equal to the Optional Daily Quantity. The above election may be exercised in writing by Selkirk at any time during the Term and, once exercised, shall remain in effect for the remainder of the Term; and
- (b) during the Subsequent Term a daily quantity (the "Subsequent Daily Quantity") equal to 21,000 MMBtu/day or, if the election in (a) above has been made by Selkirk, a daily quantity equal to 23,000 MMBtu/day.

If the Delivery Point is the Empress Delivery Point, the quantities specified in the definitions of Additional Daily Quantity, Optional Daily Quantity and Subsequent Daily Quantity are inclusive of fuel gas. If the Delivery Point is the Iroquois Delivery Point following a TCPL Capacity Assignment, the quantities specified in such definitions shall be reduced in accordance with section 8(b)(iii).

4. Price

The price for the Additional Daily Quantity, the Optional Daily Quantity (if applicable) and the Subsequent Daily Quantity paid by Selkirk to CFOL shall be equal to the price set forth in Inside FERC First of Month Index (Henry Hub), subject to the following:

- (a) a transportation deduction of US\$1.49 per MMBtu if the Delivery Point is the Empress Delivery Point;
- (b) a floor price (after applying all applicable deductions set forth in this section 4) of US\$1.00 per MMBtu if the Delivery Point is the Empress Delivery Point;
- (c) any price (as reported in Inside FERC First of Month Index (Henry Hub)) in excess of US\$6.50 per MMBtu shall be reduced by 50% of the amount by which such price exceeds:
 - (i) US\$6.50 per MMBtu if the Optional Daily Quantity election has not been made; or
 - (ii) US\$7.00 per MMBtu from and after the effective date of CFOL providing the Optional Daily Quantity;

however, this price reduction shall not apply to a price redetermined under section 4(d) below (unless the parties agree otherwise at the time of the redetermination) or paid pursuant to section 4(e) below;

- (d) the price (but not the formula for computing the Reservation Fee) shall be redetermined at the election of either party, effective as of November 1, 2008 and as of November 1, 2011, if notice of price re-determination is given on or before September 1 of the same year prior to each such date. This redetermined price

shall be based on a mutually acceptable market price that is determined on data, indexes and methodologies that are comparable in all material respects to the existing price determination, and as mutually agreed by the parties on or before October 1 of the same year prior to each such date or, failing agreement, by arbitration pursuant to section 13 of these Special Provisions; and

- (e) with respect to quantities of gas that are subject to a TCPL Capacity Assignment agreement, Selkirk shall select, by providing CFOL written notice at least sixty (60) days prior to the start of each of any November through March season and any April through October season during the Term, to use a price equal to either (i) the arithmetical average, for the applicable month of delivery, of daily prices quoted in Gas Daily for receipts at the Iroquois Delivery Point, or (ii) another basis to Henry Hub as mutually agreed by the parties. For clarity the price reduction referenced in section 4(c) shall not apply with respect to quantities of gas that are subject to a TCPL Capacity Assignment agreement. The pricing change pursuant to this section 4(e) shall only apply to the season referenced in an election notice. This section 4(e) shall not be subject to the price re-determination set forth in section 4(d).
- (f) In the event that the Inside FERC First of Month Index (Henry Hub) or the Gas Daily index for receipts at the Iroquois Delivery Point is no longer available, the parties shall use their best efforts to agree on substitute data or a substitute index that most closely reflect those indexes. If the parties fail to agree, the matter shall be referred to arbitration pursuant to section 13 of these Special Provisions.

5. Reservation Fee

In addition to the price in section 4 paid for gas delivered, a monthly reservation fee (the “Reservation Fee”) will be determined under this Contract during the Initial Term. The Reservation Fee shall equal the total quantity of gas delivered in the relevant month under the Selkirk/NBP Contract multiplied by the difference between (i) the monthly average of the price determined pursuant to section 4 and (ii) the monthly average of the price paid under the Selkirk/NBP Contract, inclusive of any and all charges. A Reservation Fee resulting in a positive value shall represent a payment from Selkirk to CFOL while a Reservation Fee resulting in a negative value shall represent a payment from CFOL to Selkirk.

6. Delivery Point

Subject to the terms of the agreement providing for the TCPL Capacity Assignment, the Delivery Point for all quantities of gas delivered under this Contract shall be the Empress Delivery Point.

7. Conditions

The obligations of the parties to commence the sale, purchase and delivery of the Additional Daily Quantity, the Optional Daily Quantity or the Subsequent Daily Quantity pursuant to section 3 shall be subject to the following conditions :

- (a) receipt by each Party of their respective regulatory permits, licenses, orders or approvals required for the purchase, sale, resale, provincial removal, export and import of such gas quantities; and
- (b) securing any necessary additional firm transportation service to the Delivery Point by CFOL and from the Delivery Point to Selkirk's facilities by Selkirk.

Each party covenants to use all reasonable commercial efforts within its control to satisfy the above conditions in an expeditious and prompt manner.

8. TCPL Capacity Assignment Agreement

- (a) Selkirk shall have a one time election to make, and cause CFOL to accept, a permanent assignment to CFOL of an amount, to be specified by Selkirk, of between 50% and 100% of that portion of the TCPL firm transportation service:
 - (i) held by Selkirk specifically for the Selkirk/NBP Contract daily quantities; and
 - (ii) held or to be acquired by Selkirk for the Additional Daily Quantity and, if relevant, the Optional Daily Quantity(the "TCPL Capacity Assignment").
- (b) With respect to any quantities of gas delivered following a TCPL Capacity Assignment,
 - (i) the price paid to CFOL for quantities of gas that are subject to a TCPL Capacity Assignment shall not contain the deduction for gas transportation referred to in section 4(a);
 - (ii) the delivery point for such quantities shall be the Iroquois Delivery Point;
 - (iii) the quantities of gas required to be delivered to Selkirk shall be reduced by the amount of any fuel, shrinkage and line loss that is charged in kind by TCPL in respect of such assigned capacity; and
 - (iv) as of the effective date of such TCPL Capacity Assignment, CFOL shall become responsible for all liabilities and obligations, including demand and commodity charges and entitled to all rights and benefits including any overrun service and renewal rights, in respect of the assigned capacity.
- (c) Selkirk may elect to implement the TCPL Capacity Assignment at any time during the Term by providing not less than 60 days notice to CFOL. Upon such notice, the parties shall promptly finalize and enter into an agreement reflecting the terms of this section 8 and seek TCPL's consent to such assignment.
- (d) With respect to any gas to be delivered to Selkirk under the Selkirk/NBP Contract after the effective date of a TCPL Capacity Assignment, CFOL and Selkirk shall, without additional consideration from either party, enter into an agreement to

transport the Existing Daily Quantity (or the portion thereof that is subject to the TCPL Capacity Assignment) from the Empress Delivery Point to the Iroquois Delivery Point.

9. No Minimum Take Obligation

With respect to the Additional Daily Quantity, the Optional Daily Quantity and the Subsequent Daily Quantity, Selkirk shall have no obligations with respect to minimum takes or pro rata takes of firm quantities (except for firm quantities nominated in any Transaction Confirmation). During the Initial Term any monthly nomination shortfall below 21,000 MMBtu/day (or 23,000 MMBtu/day as the case may be) shall be applied first to the Additional Daily Quantity (and Optional Daily Quantity if applicable) and second to the delivery quantities under the Selkirk/NBP Contract. With respect to the Selkirk/NBP Contract, CFOL will either (a) subject to CFOL's obtaining any needed approvals from the members of the CFOL netback pool under the Selkirk/NBP Contract, waive any applicable minimum annual quantity provisions or pro rata take of firm quantities provision, or (b) purchase from Selkirk any quantities purchased under the Selkirk/NBP Contract that Selkirk does not wish to retain for the same price that Selkirk paid for such quantities under the Selkirk/NBP Contract.

10. Transaction Confirmations

No later than ten days before the end of each calendar month during the Term, Selkirk shall nominate through a Transaction Confirmation the firm quantity of gas to be delivered hereunder for the following calendar month. Such Transaction Confirmations shall be in writing and executed by both parties and shall be consistent with the terms and conditions of this Contract.

11. FMC Refunds Waiver

Selkirk hereby agrees to waive, and fully releases CFOL from, any and all FMC (as defined in the Selkirk/NBP Contract) refund charges that may be claimed by Selkirk under the Selkirk/NBP Contract, whether such refund charges apply to past, current or future periods, and whether such refund charges are based on claims that are outstanding or not, or have accrued or not.

12. Release and Discharge

Each party agrees that the other party has satisfied its payment, supply and all other obligations under the Selkirk/NBP Contract for the period November 1, 1994 through October 31, 2004 and each party releases and forever discharges the other from any and all further payment, obligation, debt or liability whatsoever under said Selkirk/NBP Contract through said dates.

13. Arbitration

- (a) In the event that either party has the right to require a matter to be submitted to arbitration pursuant to this Contract, the arbitration shall be conducted in accordance with the Rules of the British Columbia International Commercial Arbitration Centre (the "BCICAC Rules") as may be amended from time to time,

and shall be governed by the *British Columbia International Arbitration Act* of British Columbia.

- (b) The arbitrators selected to act hereunder shall be qualified by education and training to pass upon the particular question in dispute, and shall be disinterested persons. Therefore, it is agreed that if an engineering question is involved, qualified engineers shall be appointed, and similar procedure will be followed in connection with other questions.
- (c) The arbitrators so chosen (the “Board”) shall proceed immediately to hear and determine the question or questions in dispute. The decision of the arbitrators, or a majority of them, shall be made within forty-five (45) Days after appointment of the single arbitrator or third arbitrator, as the case may be, subject to any reasonable delay due to unforeseen circumstances.
- (d) The decision of the arbitrator or arbitrators shall be in writing and signed by the arbitrator or arbitrators and shall be final and binding upon the parties as to the question or questions submitted for determination. No action or legal proceedings shall be commenced or prosecuted by either party against the other party, touching any of the matters which may be arbitrated, unless the party to be made defendant to such action or proceeding shall have refused or neglected to submit to arbitration such matters pursuant to the provisions contained in this Contract. It is the intention of the parties that such decision shall not be subject to court review; however, such decision shall be enforceable through judicial proceedings. The written decision of the Board or a majority thereof may be issued with or without an opinion. If any party requests a written opinion with regard to a decision, one shall be issued expeditiously, but its issuance shall not delay compliance with and implementation of the Board’s or majority’s decision.
- (e) Pending the outcome of any such arbitration, the terms in effect immediately prior to such arbitration shall remain in effect. Any modification approved by the Board shall be effective prospectively only, and such modification shall become effective on the First Day of the Month following the decision of the arbitrator or arbitrators, provided, however that actions taken pursuant to this section 13 shall be subject to the receipt of all governmental and regulatory approvals required to make such actions effective without modifications (unless such modifications are acceptable to both parties) and the parties shall promptly apply for such approvals.
- (f) Each party shall bear the cost of the arbitrator appointed by it and both parties agree to share equally all costs and expenses of the third arbitrator and all common costs.

14. Attornment

Subject to section 13 of these Special Provisions, the parties agree that the Base Contract shall be governed by and interpreted in accordance with the laws of the Province of Alberta notwithstanding any choice-of-law or conflicts of law provisions that would require application of the laws of a different jurisdiction. Also subject to section 13, the

parties agree to submit to the sole jurisdiction of the federal court in Chicago, Illinois, for purposes of resolving all justiciable disputes arising hereunder.

15. Other Agreement Setoffs

In the event of default under this contract by one party, the non-defaulting party may apply amounts, if any, owed by it under this contract to the defaulting party against damages suffered as a result of such default.

16. **Lender Assignment**

(a) CFOL acknowledges that, consistent with Section 14.1 of the Base Contract, Selkirk may assign the Contract to Selkirk's lenders, or such lenders' agents, as security under Selkirk's financing arrangements. CFOL specifically acknowledges that Selkirk has assigned all of its right, title and interest in and to the Contract and the accounts, revenues and proceeds hereof to Deutsche Bank Trust Company Americas, as Collateral Agent for the trustee under Selkirk's Trust Indenture dated as of May 1, 1994 (the "Indenture") and certain other lenders and lenders' agents or trustees (together with its successors and assigns, the "Collateral Agent"), pursuant to the Amended and Restated Security Agreement and Assignment of Contracts dated as of May 1, 1994 made by Selkirk in favor of the Collateral Agent, and CFOL consents to such assignment. Selkirk acknowledges that, consistent with Section 14.1 of the Base Contract, this assignment shall not relieve Selkirk of any of its obligations under the Contract.

(b) CFOL agrees to execute and deliver, at Selkirk's request, such documents (including, but not limited to, a consent and legal opinion) as may be reasonably necessary to satisfy the requirements of Section 6.20(c) of the Indenture with respect to such assignment,

[(i) such consent to contain the following provisions, and other provisions reasonably requested: (A) CFOL's agreement not to terminate or suspend the performance of its obligations under the Contract unless it gives the Collateral Agent notice of the default under the Contract by Selkirk and the opportunity to cure the default; and (B) CFOL's agreement, if the Contract is terminated by any bankruptcy or insolvency proceeding of Selkirk and the Collateral Agent or its proposed assignee certifies its intention to assume the future liabilities and obligations of Selkirk, to enter in any new additional contract with the Collateral Agent or its assignee for the remaining term of, and on the same terms and conditions as, the terminated Contract; and

(ii) such legal opinion to be delivered by counsel reasonably acceptable to the Collateral Agent, in form and substance reasonably acceptable to

the Collateral Agent, and covering the matters set forth in Schedule 1 attached hereto.

17. Representations

CFOL represents and warrants, for the benefit of Selkirk and the Collateral Agent, the following:

- (a) The Contract is in full force and effect and there are no amendments, modifications or supplements thereto or any substitute therefor.
- (b) CFOL has not assigned, transferred, pledged or hypothecated the Contract or any interest therein.
- (c) CFOL has no knowledge of any default by Selkirk under the Contract.
- (d) None of Selkirk's rights under the Contract have been waived.
- (e) The assignment of the Contract to the Collateral Agent as security and the consent to such assignment will not cause or constitute a default under the Contract or an event or condition which would lead to a default under the Contract.

Schedule 1

Form of Legal Opinion

1. CFOL has the power, authority and legal right to execute, deliver and perform the Contract.
2. The execution and delivery of the Contract by CFOL and the performance of its obligations thereunder have been duly authorized by all necessary corporate or partnership action and do not (1) required any consent or approval of any shareholder or partner, except those consents and approvals which have been already obtained, (2) violate any provision of any applicable law, (3) result in a breach or constitute a default under any indenture, loans, credit agreement or any other agreement, lease or instrument of CFOL.
3. The Contract has been dully executed and delivered, is in full force and effect and constitutes the legal, valid and binding obligation of CFOL, enforceable in accordance with its terms, except for standard bankruptcy exclusions.
4. All governmental approvals required with respect to the execution and delivery of the Contract and the performance of CFOL's obligations under the Contract (other than National Energy Board permits for which Selkirk is responsible) have been obtained; provided, however, that the parties recognize that (a) CFOL must advise the Alberta Energy and Utilities Board of this Contract (under the terms of CFOL's existing AEUB Removal Permit), and (b) CFOL will eventually need to extend the term of its existing AEUB Removal Permit (which currently expires on October 31, 2011) or obtain a new AEUB Removal Permit(s) to allow deliveries hereunder to October 31, 2014.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER,
PURSUANT TO SECTION 302 OF THE SARBANES – OXLEY ACT OF 2002**

I, P. Chrisman Iribe, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2004 of Selkirk Cogen Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2004

/s/ P. CHRISMAN IRIBE

P. Chrisman Iribe
President
JMC Selkirk, Inc.
Managing General Partner of Selkirk Cogen
Partners, L.P.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER,
PURSUANT TO SECTION 302 OF THE SARBANES – OXLEY ACT OF 2002**

I, J. Tracy Mey, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2004 of Selkirk Cogen Partners, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2004

/s/ J. TRACY MEY

J. Tracy Mey
Controller and Chief Accounting Officer
JMC Selkirk, Inc.
Managing General Partner of Selkirk Cogen
Partners, L.P.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER,
PURSUANT TO SECTION 302 OF THE SARBANES – OXLEY ACT OF 2002**

I, P. Chrisman Iribe, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2004 of Selkirk Cogen Funding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2004

/s/ P. CHRISMAN IRIBE

P. Chrisman Iribe

President

Selkirk Cogen Funding Corporation

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER,
PURSUANT TO SECTION 302 OF THE SARBANES – OXLEY ACT OF 2002**

I, J. Tracy Mey, certify that:

1. I have reviewed this quarterly report on Form 10-Q of for the quarter ended September 30, 2004 Selkirk Cogen Funding Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2004

/s/ J. TRACY MEY

J. Tracy Mey
Controller and Chief Accounting Officer
Selkirk Cogen Funding Corporation

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF SARBANES – OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Selkirk Cogen Partners, L.P. for the quarter ended September 30, 2004, I, P. Chrisman Iribe, President of JMC Selkirk, Inc., as Managing General Partner of Selkirk Cogen Partners, L.P., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fairly presents, in all material respects, the financial condition and results of operations of Selkirk Cogen Partners, L.P.

November 12, 2004

/s/ P. CHRISMAN IRIBE
P. Chrisman Iribe
President
JMC Selkirk, Inc.

A signed original of this written statement required by Section 906 has been provided to JMC Selkirk, Inc. and will be retained by JMC Selkirk, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF SARBANES – OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Selkirk Cogen Partners, L.P. for the quarter ended September 30, 2004, I, J. Tracy Mey, Controller and Chief Accounting Officer of JMC Selkirk, Inc., as Managing General Partner of Selkirk Cogen Partners, L.P., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fairly presents, in all material respects, the financial condition and results of operations of Selkirk Cogen Partners, L.P.

November 12, 2004

/s/ J. TRACY MEY
J. Tracy Mey
Controller and Chief Accounting Officer
JMC Selkirk, Inc.

A signed original of this written statement required by Section 906 has been provided to JMC Selkirk, Inc. and will be retained by JMC Selkirk, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 906 OF SARBANES – OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Selkirk Cogen Funding Corporation for the quarter ended September 30, 2004, I, P. Chrisman Iribe, President of Selkirk Cogen Funding Corporation, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fairly presents, in all material respects, the financial condition and results of operations of Selkirk Cogen Funding Corporation.

November 12, 2004

/s/ P. CHRISMAN IRIBE
P. Chrisman Iribe
President
Selkirk Cogen Funding Corporation

A signed original of this written statement required by Section 906 has been provided to Selkirk Cogen Funding Corporation and will be retained by Selkirk Cogen Funding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 906 OF SARBANES – OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report on Form 10-Q of Selkirk Cogen Funding Corporation for the quarter ended September 30, 2004, I, J. Tracy Mey, Controller and Chief Accounting Officer of Selkirk Funding Corporation, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief, that:

- (1) such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fully complies with the requirements of Section 13 (a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Quarterly Report on Form 10-Q for the quarter ended September 30, 2004, fairly presents, in all material respects, the financial condition and results of operations of Selkirk Cogen Funding Corporation.

November 12, 2004

/s/ J. TRACY MEY
J. Tracy Mey
Controller and Chief Accounting Officer
Selkirk Cogen Funding Corporation

A signed original of this written statement required by Section 906 has been provided to Selkirk Cogen Funding Corporation and will be retained by Selkirk Cogen Funding Corporation and furnished to the Securities and Exchange Commission or its staff upon request.